



# BULLETIN

## *Economic and Social Committee*

*European Communities*



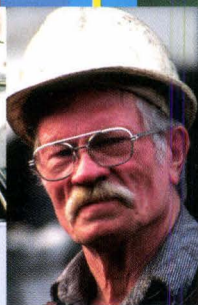
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## Facts and figures - November 1997

### Presidency

**President:** Tom Jenkins  
(United Kingdom - Workers)

**Vice-presidents:** Giacomo Regaldo  
(Italy - Employers)

Johannes Jaschick  
(Germany - Various Interests)

**Secretary-General:** Adriano Graziosi

### Origins

The ESC was set up by the 1957 Rome Treaties in order to involve economic and social interest groups in the establishment of the common market and to provide institutional machinery for briefing the European Commission and the Council of Ministers on European Union issues.

The Single European Act (1986), the Maastricht Treaty (1992) and the Amsterdam Treaty (1997) have reinforced the ESC's role.

### Membership

The 222 members of the ESC are drawn from economic and social interest groups in Europe. Members are nominated by national governments and appointed by the Council of the European Union for a renewable 4-year term of office. They belong to one of three groups: Employers (Group I - president: Manuel Eugénio Cavaleiro Brandão - Portugal), Workers (Group II - president: Roger Briesch - France), Various Interests (Group III - president: Beatrice Rangoni Machiavelli - Italy). Germany, France, Italy and the United Kingdom have 24 members each, Spain has 21, Belgium, Greece, the Netherlands, Portugal, Austria and Sweden 12, Denmark, Ireland and Finland 9 and Luxembourg 6.

### The members' mandate

The task of members is to issue opinions on matters referred to the ESC by the Commission and the Council, as well as the European Parliament pursuant to the Amsterdam Treaty.

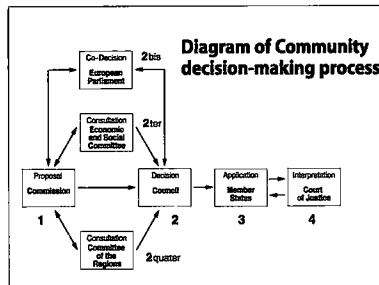
The ESC is the only socio-occupational advisory body that can be consulted by the EU Council of Ministers.

### Advisory role

Consultation of the ESC by the Commission or the Council is mandatory in certain cases; in others it is optional. The ESC may, however, also adopt opinions on its own initiative. The Single European Act (17.2.86), the Maastricht Treaty (7.2.92) and the Treaty of Amsterdam (signed on 2.10.97) extended the range of issues which must be referred to the Committee: regional policy, environmental policy, employment policy, broad guidelines for economic policies, combating social exclusion, etc. The ESC produces 170 advisory documents and opinions a year (of which 15% are issued on its own initiative). All opinions are forwarded to the Community's decision-making bodies and then published in the Official Journal of the European Communities.

### Information and integration role

Over the last few years the ESC has stepped up its role in the European Union and has transcended the straightforward duties flowing from the treaties. It acts as a forum for the single market and has hosted, with the support of other EU bodies, a series of events aimed at bringing the EU closer to the people.



### Internal organization

#### 1. Presidency and Bureau

Every two years the ESC elects a Bureau made up of 36 members (12 per group), and a president and two vice-presidents chosen from each of the three groups in rotation.

The president is responsible for the orderly conduct of the Committee's business. He is assisted by the vice-presidents, who deputize for him in the event of his absence.

The president represents the ESC in relations with outside bodies.

Joint briefs (relations with EFTA, CEEC, AMU, ACP countries, Latin American and other third countries, and the Citizens' Europe) fall within the remit of the ESC Bureau and the president.

The Bureau's main task is to organize and coordinate the work of the ESC's various bodies and to lay down policy guidelines for this work.

#### 2. Sections

The Committee has nine sections:

- Economic, Financial and Monetary Questions  
secretariat tel. 546.92.86  
(president: Göke Frerichs  
Group I - Germany)
- External Relations, Trade and Development Policy - secretariat tel. 546.93.27  
(president: Thomas Etty  
Group II - Netherlands)
- Social, Family, Educational and Cultural Affairs  
secretariat tel. 546.95.12  
(president: John F. Carroll  
Group II - Ireland)
- Protection of the Environment, Public Health and Consumer Affairs  
secretariat tel. 546.94.06  
(president: Manuel Ataláde Ferreira  
Group III - Portugal)
- Agriculture and Fisheries  
secretariat tel. 546.96.87  
(president: Pere Margalef i Masia  
Group III - Spain)
- Regional Development and Town and Country Planning  
secretariat tel. 546.96.11  
(president: Robert Moreland  
Group III - United Kingdom)
- Industry, Commerce, Crafts and Services  
secretariat tel. 546.95.98  
(president: John Little  
Group I - United Kingdom)
- Transport and Communications  
secretariat tel. 546.93.60  
(president: Elke Eulen  
Group II - Germany)
- Energy, Nuclear Questions and Research  
secretariat tel. 546.98.19  
(president: José Ignacio Gafo-Fernandez  
Group I - Spain)

### 3. Study groups

Section opinions are drafted by study groups. These usually have 12 members, including a rapporteur who may be assisted by experts (normally four).

### 4. Sub-committees

The ESC has the right to set up temporary sub-committees, for specific issues. These sub-committees operate on the same lines as the sections.

### 5. Plenary session

As a rule, the full Committee meets in plenary session ten times a year. At the plenary sessions, opinions are adopted on the basis of section opinions by a simple majority. They are forwarded to the institutions and published in the Official Journal of the European Communities.

### External Relations

#### 1. Relations with economic and social councils

The ESC maintains regular links with regional and national economic and social councils throughout the European Union. These links mainly involve exchanges of information and joint discussions every year on specific issues.

The ESC also liaises worldwide with other economic and social councils at the "International Meetings" held every two years.

#### 2. Relations with economic and social interest groups in third countries

The ESC has links with economic and social interest groups in a number of non-member countries and groups of countries, including Mediterranean countries, the ACP countries, central and eastern Europe, Latin America and EFTA. For this purpose the ESC sets up 15-30 member delegations headed by the president or a vice-president. It is expected that some meetings involving the countries of central and eastern Europe will be institutionalized under the Europe Agreements, as is currently the case with Hungary and Turkey.

### Publications

The ESC regularly distributes a number of publications, including its main opinions in brochure format, a monthly newsletter entitled ESC INFO and its Annual Report.

### Secretariat-General

The Committee is serviced by a secretariat-general, headed by a secretary-general who reports to the president, representing the Bureau.

135 staff work exclusively for the Economic and Social Committee. Since 1 January 1995, the Economic and Social Committee and the Committee of the Regions have shared a common core of departments whose staff, numbering 519, are mostly members of the ESC secretariat.





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*European Communities*

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This Bulletin reports on the activities of the Economic and Social Committee, a European consultative assembly. It is published after plenary sessions in French, English and German. Versions in the eleven official languages of the European Union are available on the ESC Internet site (<http://www.esc.eu.int>).

The complete texts of ESC opinions are available:

- *in the Official Journal of the European Communities,*
- *on the CELEX database,*
- *at the ESC Internet site,*
- *on written request from the ESC General Secretariat.*

**ECONOMIC AND SOCIAL COMMITTEE**

**DIRECTORATE FOR COMMUNICATIONS**

Specialized Department for Information and Visits

rue Ravenstein, 2 - B-1000 Brussels

Tel: (32.2) 546.90.11  
Fax: (32.2) 546.98.22

Telex: 25 983  
Telegram: ECOSEUR

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## I. 357<sup>th</sup> PLENARY SESSION ON 9 AND 10 SEPTEMBER 1998

The Economic and Social Committee held its 357<sup>th</sup> plenary session in Brussels on 9 and 10 September 1998. The Committee president, Mr Tom Jenkins, was in the chair.

The session was attended by Mr Johann Farnleitner, the Austrian Federal Minister for Economic Affairs, on behalf of the Council Presidency-in-office, and Mrs Monika Wulf-Mathies, Member of the European Commission, on 9 and 10 September respectively.

**Mr Farnleitner** - a former ESC member - made a number of preliminary comments regarding the varied nature of the challenge of the next wave of EU enlargement. He took the view, in particular, that there were too many Councils bringing together the various EU ministers. In the light of the recent economic crisis in South-East Asia, he also felt that it would be useful for the Union to have its own ratings agency to carry out risk analysis. Equally, it would be a good idea to put even more emphasis on skills and innovation; here Mr Farnleitner drew on his own experience in Austria where the level of entrepreneurship was particularly low.

Turning to his country's priorities for its presidency, he underlined the importance of rounding off the single market, adding that better regulations were needed rather than deregulation. SMEs still had to fill in a lot of forms, but sampling was actually a more effective method of collecting data. The process of cutting red tape would begin during the Austrian presidency.

Patent law needed to be improved, and there was a need for more open discussion of agricultural matters at the WTO, while retaining the European model in this field.

**Mrs Wulf-Mathies** spoke in connection with the adoption of the ESC opinion on the reform of the Structural Funds. She began by congratulating the Committee on its work: *"Your opinions give the lie to all those who maintain that European laws are passed behind closed doors, without the involvement of governments, let alone citizens."*

Turning to the Commission's proposal on reform of the Funds, Mrs Wulf-Mathies mentioned the three political priorities:

Firstly, the starting point was a clear commitment to cohesion policy. The Structural Funds would continue to provide targeted support for regions whose development was lagging behind, combat social exclusion and promote structural change and the development of human resources.

Secondly, resources needed to be targeted at the Union's neediest regions, and those areas which really required assistance.

Thirdly, the Commission advocated simplification and decentralization - with easier administrative - procedures - with the aim of ensuring an efficient use of resources.

Mrs Wulf-Mathies criticized countries which supported the proposed principles of concentration of resources in general but demanded exemptions in their actual implementation for their own regions, i.e. with respect to strict application of the 75% rule for Objective 1. The Commission had to rule out special arrangements for individual regions in order not to jeopardize the package as a whole.



In the course of the session the Economic and Social Committee adopted the following opinions:

**Section for Protection of the Environment, Public Health and Consumer Affairs**  
Sylvia Calamandrei, Principal Administrator - ☎ (32-2) 546 9657

**1. AMENDMENT TO DIRECTIVE 90/220/EEC  
ON GMOs**

**Opinion of the Economic and Social Committee**  
on the *Proposal for a European Parliament and Council Directive amending Directive 90/220/EEC on the deliberate release into the environment of genetically modified organisms*  
(COM(98) 85 final - 98/0072 COD)

(CES 1117/98 - 98/0072 COD)

Rapporteur: Sergio COLOMBO (Italy - Workers)

**Gist of the Commission proposal**

This proposal integrates the conclusions of the 1996 Report on the Review of Directive 90/220/EEC, takes account of recent developments in the area of biotechnology, growing scientific knowledge as well as public concern about the effects of genetically modified products, and incorporates the Commission Policy on Consumer Health and Food Safety. It should therefore meet needs and concerns with regard to safety aspects for human health and the environment.

In essence the Commission proposes to:

- clarify further the scope and the definitions within Directive 90/220/EEC;
- introduce a mandatory monitoring after the placing on the market of products linked to a consent granted for a fixed time period;
- confirm the Commission's option to consult any committee it has created with a view to advising it on the ethical implications of biotechnology on any general matter that may raise ethical concerns;
- set out principles for risk assessment under the Directive;

- classify experimental releases on the basis of common criteria and provide for a distinct administrative procedure for each category of release as well as for a multi-state procedure;
- improve the administrative procedures and approval system for placing products on the market, and introduce simplified procedures for the renewal of consent and for cases where specific criteria and information requirements on the basis of safety and experience have been established;
- provide for the obligation of formally consulting a scientific committee in order to assist the Commission in any matter which is likely to have an effect on human health and/or the environment under the implementation of Part C of Directive 90/220/EEC;
- increase the transparency of the decision-making process by making available to the public the content of the notification for placing GMOs on the market as or in a product, the assessment reports carried out for products placed on the market, the opinion of the scientific committee(s), and the decisions taken under Part B of the directive;
- apply a IIb procedure for the regulatory committee to increase the Member States' role in the decision-making process by giving the Council the possibility to reject the Commission decision by a simple majority;
- detail more fully and broaden labelling requirements on the basis of the broad guidelines for an extended Community labelling system for GMO products.

**Gist of the opinion**

The Economic and Social Committee is following developments in the regulation of the growth area

of biotechnology with the keenest interest. The vitality and competitiveness of European industry must receive encouragement and support not only under Framework Programme R&D activities but also in the shape of transparent risk assessment and public information procedures, which are a precondition for guaranteeing market growth in this new technology sector and optimizing its benefits in terms of health, environmental protection and quality of life.

Revision of the directive on the deliberate release into the environment of GMOs was overdue both because major strides have been made in biotechnology over the past seven years and the marketing of such products is expanding rapidly, bringing public calls for rules ensuring better and more up-to-date information and protection against risks. Firms too are calling for greater clarity and flexible and detailed rules, while emphasizing the risk that they will be put at a competitive disadvantage by the complexity of the rules and procedures and the long delays in issuing authorization in Europe.

In this respect the proposal currently being considered is undeniably a significant improvement - even on the original draft revision of Directive 90/219, on which the ESC had expressed several criticisms, some of which were incorporated into the Council's common position.

The main innovative features in this proposal are as follows:

- a) provision is made for two categories of release, the first of which is governed by a simplified procedure; however, the difference between the two lies essentially in the timespan between notification and reply and is far less concerned with the nature of the modification; therefore organisms that are considered safe are also subject to notification and control, albeit under a swifter procedure;
- b) introduction of the concept of monitoring after release and setting of a deadline beyond which authorization has to be renewed;
- c) introduction of labelling of products by category, thereby responding to strong pressure from consumers, recently reiterated in the ESC Opinion on food legislation;

d) introduction of maximum time limits for a series of procedural steps provided for in the proposal;

e) establishment of common risk assessment methods and objectives, in an effort to facilitate consensus and the harmonization of results among Member States.

However, the ESC's generally positive view of the new approach needs to be accompanied by a number of important qualifications:

The progress of this directive does not seem sufficiently coordinated with the passage of other legislation on the release of GMOs. Reference has already been made above to discrepancies with Directive 90/219 but it is equally important to ensure smooth coordination with the legislation mentioned in Articles 5 and 10 of the present version, which provide for "a specific environmental risk assessment similar" to that laid down in Articles 6 to 9 and to Articles 11 to 18, respectively. This reference is to the vertical legislation on "novel" foodstuffs which has already come into force, and the provisions on "novel" seeds, "novel" animal feeding stuffs and pesticides containing GMOs which are in the process of preparation.

Given the slow progress of vertical legislation, it appears evident that Directive 90/220 and its annexes will continue to be the basic reference point for risk assessment for some time to come and will be a model for specific assessment schemes. Hence the importance of the risk assessment principles contained in Annex II, upon which the vertical legislation will also be based. Here the ESC is concerned to note that the proposal and, particularly, the annexes do not properly develop the part concerning interaction between GMOs and their ecosystems - be they ecosystems outside the place of production or ecosystems involved in biological production processes.

In the former case, it would be highly recommendable that a link be created with existing legislation on environmental impact assessment (EIA) in the case of GMOs entering the market. This link should also take account of a cost-benefit assessment, from both the economic and environmental angles, of their impact on farming practices, and, hence, on agricultural ecosystems. This is of great importance in the run-up to the

launch of Agenda 2000, which envisages a further reduction of the environmental impact of farming - a reduction already under way with the CAP. In this regard, a careful analysis should be made, for example, of the chemical impact of the introduction of herbicide-resistant plants. More generally, with regard to the possible effects on biodiversity, account must be taken of the current negotiations to draw up an international protocol on "biosafety" along with guidelines for an environmental impact assessment system.

Likewise, given the growing interest for deriving non-food products from agricultural raw materials, the impact of such new products should be analysed, with regard both to safety in the place of production and environmental impact during usage, looking ahead to their possible inclusion in the eco-labelling system.

More generally, the ESC observes that, under Article 7, which has not been amended, the mechanisms for consultation of the public and of specific groups still fall under the jurisdiction of Member States; there is currently a considerable disparity which could even distort the authorization mechanisms. It would be advisable to provide for a harmonization of criteria and to consider establishing consultative mechanisms at EU level, given the sensitivity of public opinion to such matters.

The drawing-up of the monitoring criteria, described in Annex VII, is of special importance, particularly with regard to human health aspects; the use of an antibiotic-resistant gene as a marker which triggered consumer alarm, is just one example of the possible and unnecessary risks connected with these new technologies if the precautionary principle is not adhered to and if the best available technologies (BAT) are not used.

In a field which is of such public concern, the ESC firmly believes that the drafting of suitable legislation on risk assessment and control must be accompanied by a strong campaign to raise awareness and promote scientific debate. The public should be correctly informed and there should be more dialogue between the authorities, industry and socio-occupational, environmental and consumer associations.

## **2. RESISTANCE TO ANTIBIOTICS AS A THREAT TO PUBLIC HEALTH** (*Own-initiative*)

**Opinion of the Economic and Social Committee**  
on "*Resistance to antibiotics as a threat to public health*"

(CES 1118/98)

Rapporteur: Turid STRÖM (Sweden - Various Interests)

### **Gist of the opinion**

This own-initiative opinion looks into the emergence of antibiotic resistance, a problem that constitutes an increasing threat to public health. Infections caused by resistant bacteria contribute to morbidity and mortality resulting in additional health care costs.

Bacteria develop resistance to antibiotics as a result of genetic changes that occur either through mutations in the bacterium's genes itself or through a transfer of pre-existing resistance genes from other bacteria. Two main factors underlie the emergence of the resistance problem. It is due, in the first place, to the inappropriate use of antibiotics both by humans and in animals. Secondly, the spread of resistant bacteria through infections in hospitals, increased travelling, globalization of food supply etc. further adds to the magnitude of the problem.

The opinion, which mainly focuses on consumption patterns of antibiotics by humans endeavours to explore ways to tackle this problem. It does so, in the first place, by sketching the background of the problem (part 2) and by identifying relevant initiatives already undertaken at different levels (national, EU, international - part 3). Such initiatives are described in the following broad categories: elements of good practice in antibiotic usage in humans and animals; the monitoring of antibiotic usage; surveillance of antibiotic resistance; infection control in hospital and non-hospital care; research; education and other measures.

Taking account of these existing initiatives, the Committee then makes a number of recommendations for future action to fight antibiotic resistance, both at national and - where feasible - EU level. Given the multi-disciplinary nature of

the problem it notes that it is essential that the proposed measures are taken as part of an all-embracing, integrated policy to be co-ordinated by a central body. The recommendations made by the Committee in the different broad categories include the following:

**1. Antibiotic usage in humans and animals: elements of good practice**

- The Commission should encourage and support the framing of guidelines in all Member States for rational antibiotic use within human and veterinary medicine.
- The rational use of antibiotics will best be ensured if over-the-counter sales of antibiotics is avoided. Therefore, trends to deregulate the supply of antibiotics by modifying their status as "prescription-only medicines" should be opposed.
- In the animal field, the use of antibiotics should be limited to (well established) veterinary medical purposes. In this connection, the Committee calls for a systematic approach towards replacing growth promoting antimicrobials with safer, non-antimicrobial alternatives.

**2. Monitoring antibiotic usage**

- An ongoing review of the volumes and patterns of usage of antibiotics at national and European level is essential; hence structures should be set up at the level of each Member State charged with collecting and analysing relevant information. In addition to national structures, a European focal point needs to be established for the co-ordination and exchange of information coming from the Member States.

**3. Surveillance of antibiotic resistance among bacteria isolated from humans and animals**

- To monitor and analyse the national and European antibiotic resistance situation, appropriate antibiotic surveillance systems should be set up at national level. Such systems should also encompass data on resistance in bacteria isolated from animals. In addition to national surveillance systems, a focal point at European level needs to be established, inter

alia to collect and analyse the information coming from the Member States and to ensure full comparability of national data.

**4. Infection control in hospital and non-hospital care**

- Every Member State should develop nationally standardised infection control guidelines and, where these already exist, review them, as a measure to minimize the spread of antibiotic resistant bacteria in hospital as well as non-hospital care.

**5. Research**

There is an urgent need for a better understanding of the risk factors involved in the emergence and spread of antibiotic resistance. Priority must be given to research efforts on:

- the risk for specific antibiotics to lose their effectiveness as a result of resistance development;
- the transmissibility of resistant bacteria in different ecological niches;
- the impact of antibiotic usage practices on the emergence of antibiotic resistance;
- optimizing antibiotic dosage (dose, duration of treatment) to reduce the risk of developing resistance;
- the development of new diagnostic technology enabling general practitioners to easily and quickly identify the causative pathogen as well as susceptibility testing systems;
- the development of effective bacterial vaccines.

**6. Education and other measures**

- A single body in the EU (EMEA including the European Economic Area and involving the Central and Eastern European Countries) should become responsible for applications for marketing authorisations of antibiotics for human and veterinary use. To this end, the scope of the "centralised procedure" should be extended.
- Permanent and strict co-ordination should be ensured between the different bodies responsible for the evaluation and supervision of antibiotics used in human and veterinary medicine (EMEA and national authorities) as

well as for purposes of growth promotion and plant protection.

As regards pharmacovigilance once medicinal products have been authorised, antibiotic resistance should be considered an indirect adverse effect of antibiotics and the surveillance of resistance patterns should be regarded as a particular aspect of the surveillance of 'non-efficacy'.

- The Commission should encourage the framing of ethical rules on the marketing of medicinal products including antibiotics at EU level, in conjunction with the pharmaceutical industry and all other relevant players. In this connection, methods should also be worked out for assessing and monitoring compliance with these ethical rules.
- The Commission should encourage a survey in the Member States to ascertain whether trainee and qualified physicians, veterinarians and pharmacists receive sufficient instruction and continuing professional education in infectious diseases, infection control, antibiotics, antibiotic prescription and treatment and antibiotic resistance.
- The Commission should initiate and promote a multi-media campaign by the Member States to inform the general public about infections, hygiene and antibiotics, so as to boost awareness of antibiotics and acquaint the public (e.g. parents, teachers, school children) with the facts.
- The Member States should lend active support to the activities of the WHO Division of Emerging Diseases Surveillance and Control and its Antimicrobial Resistance Monitoring programme.

### **3. NOISE EMISSION BY EQUIPMENT USED OUTDOORS**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive on the approximation of the laws of the Member States relating to the noise emission by equipment used outdoors**  
(COM(98) 46 final - 98/0029 COD)

(CES 1119/98 - 98/0029 COD)

Rapporteur:

Klaus BOISSEREE (Germany - Various Interests)

Co-Rapporteurs:

Daniel DE NORRE (Belgium - Employers)

Markku Matti LEMMETY (Finland - Workers)

### **Gist of the Commission proposal**

The proposed Directive, which is based on article 100a of the Treaty, aims at approximating the laws of the Member States relating to:

- noise emission standards
- conformity assessment procedures
- marking
- and collection of data

concerning 55 types of equipment used outdoors, such as construction and garden machinery. The Directive is expected to contribute to the smooth functioning of the single market, while protecting human health and well-being. It will update and replace 9 existing Directives covering separate groups of machines, thereby streamlining legislation in this field.

Noise emission standards are laid down for 19 types of equipment in two steps. In the first step, noise limits would apply from two years after entry into force of the proposed Directive; the more stringent limit values of the second phase will come into force another 4 years later.

Before placing the equipment covered by the Directive on the market, the manufacturer is obliged to draw up a declaration of conformity guaranteeing that each machine manufactured is in conformity with the provisions of the Directive. This declaration will be drawn up after the machine in question has been subjected to one of the **conformity assessment procedures** described in the Directive.

Outdoor equipment placed on the market which complies with the provisions of the Directive has to bear the CE **marking** of conformity. The CE marking will be accompanied by the indication of the noise emission level of the machine in question, thereby enabling buyers to make an informed choice.

Regarding the **collection of data on the noise emission of equipment**, the proposed Directive

requires responsible bodies to send one copy of their test report to the Commission. It also sets out that Member States can request all the collected information and that the public should be regularly informed on the most relevant data.

#### **Gist of the opinion**

The ESC approves the proposed directive subject to the following comments:

- It is regrettable that to a large extent the proposal is no more than a continuation and consolidation of existing directives. In this respect, it does not correspond to the ESC opinion on the Green Paper which called for a more comprehensive framework Directive on noise emission levels by equipment used outdoors.
- In line with this view, the scope of the proposed directive needs to be reviewed, as it does not cover all equipment harmful to people living in the vicinity.
- The six-year moratorium proposed before the limit values come into force should be shortened so that citizens can enjoy improved protection as soon as possible.
- One can find equipment on the market almost everywhere today which already operates at a level well below the noise emission limits laid down in the draft directive. Therefore, the directive should enable operators in the market to opt for low-noise equipment, irrespective of whether or not noise emission limits have been set. This can inter alia be done by establishing a comparative "classification system" comprehensible to both consumers and buyers; obliging equipment manufacturers to include noise levels in their prospectuses or fact sheets; introducing fiscal incentives; and creating an eco-label (anti-noise label) for equipment covered by the directive.
- As the aim of the proposed directive is both protection of the health and well-being of citizens and the operation of the single market, the proposed legal basis (article 100a of the EC Treaty) might have to be extended to include article 130s as well.

#### **4. DEVELOPMENT OF PUBLIC HEALTH POLICY**

**Opinion of the Economic and Social Committee**  
on the *Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the development of public health policy in the European Community*  
(COM(98) 230 final)

(CES 1120/98)

Rapporteur: Markku Matti LEMMETY (Finland - Workers)

#### **Gist of the Commission proposal**

While the EU's competence in the field of public health is limited, a comprehensive strategy has been in place since November 1993. There are a number of reasons why this strategy is in need of fundamental revision:

- the experience gained in implementing the existing public health strategy which has indicated some drawbacks with the current approach;
- new developments since the existing strategy was adopted in 1993;
- the demands from the Council of ministers and the European Parliament for a debate on a new public health policy able to respond to the new challenges;
- the Commission's own commitment to give health policy a higher priority;
- the new health challenges posed by the enlargement process; and
- finally, the strengthening of public health provisions in the Treaty of Amsterdam.

The Public Health Communication puts forward certain key elements of reflection paving the way for future policy developments. It reviews the current health situation in the EU, the emerging challenges and the existing framework for action in the field of public health (in place since 1993).

Based on its analysis, the Communication sets out a possible new Community public health policy based on three strands of action:



**Improving information for the development of public health**, through the development of a comprehensive EU system for collecting, analysing and disseminating information, focusing on trends in health status and health determinants and on developments in health systems.

**Reacting rapidly to threats to health**, by means of a EU surveillance, early warning and rapid reaction capability.

**Tackling health determinants** through health promotion and disease prevention. The Commission has acquired a great deal of valuable experience from the existing EU programmes in these fields.

#### **Gist of the opinion**

The Committee welcomes the Commission communication considering that the new approach comprising three strands of action is acceptable. However, in the Committee's view the communication's consideration of a "future Community public health policy" is too general and actions within the proposed strands are not prioritized. The Commission document should contain detailed proposals specifying the way in which the Commission aims at achieving the actions proposed under each strand. In this context, the Commission should consider the effects on public health policy of new developments in economic and employment policies and of single market issues (e.g. ECJ judgements).

Furthermore, the Committee also considers that the communication:

- does not take full advantage of the provisions of the new Treaty of Amsterdam, in particular the requirement to "*ensuring a high level of human health protection in the definition and implementation of all Community policies and activities*";
- should set up a fourth strand of action dealing with the integration of health requirements in other policies and activities or, alternatively, present another practical way to ensure that health aspects are taken into account;
- should also include a deeper analysis of the enlargement, and of its effects and risks for Community public health policy. The Committee asks the Commission to draft an "evaluation report" on "Health and enlargement" as a means of identifying possible areas for cooperation and technical support for applicant countries.

The Committee, therefore, urges the Commission to take these recommendations into account at the next stage which, in the Committee's view, should be to draw up a comprehensive outline for action in the field of public health.

Finally, the Committee considers it essential to reorganize and strengthen the Commission services acting in the field of public health, and recommends the establishment of one Commissioner specifically in charge of public health at Community level.

#### **Section for Industry, Commerce, Crafts and Services**

Joao Pereira dos Santos, Head of Division - ☎ (32-2) 546 9245

### **5. DIESEL ENGINE EMISSIONS**

**Opinion of the Economic and Social Committee**  
on the *Proposal for a European Parliament and Council Directive on the approximation of the laws of the Member States relating to the*

*gaseous and particulate pollutants from diesel engines for use in vehicles*

(COM(97) 627 final - 97/0350 COD)

(CES 1121/98 - 97/0350 COD)

Rapporteur: Edoardo BAGLIANO (Italy - Employers)

## Gist of the Commission document

### Objective of the proposal

The proposal aims at limiting polluting emissions from new heavy duty diesel, natural gas (NG) and liquefied petroleum gas (LPG) engines for use in vehicles. It forms a part of the Auto Oil I programme on which the Committee gave a favourable opinion on 24 April 1997

### Content of the proposal

The Commission proposes that emission standards for diesel or gas fuelled heavy duty vehicles be tightened and improved by adding new requirements. It is proposed that these measures should apply from 1 October 2000 for new vehicle and engine types and from 1 October 2001 for all new vehicles and engines.

The Commission also proposes two new test cycles for type approval: the steady state test cycle, known as the "ESC" cycle, and a fully transient test cycle known as the "ETC" cycle.

The proposed new limit values for diesel engines to be applied from 1 October 2000 for new types represent reductions, as against the 1996 emission standards, of 30% for carbon monoxide, oxides of nitrogen and particulates and 34% for hydrocarbons.

A second set of indicative emission standards is intended to be applied as from 2005, these indicative standards being subject to confirmation or revision in a future Commission proposal to be based on further technical assessments.

### Gist of the Opinion

*The Committee agrees with postponing the date of application of the proposed new rules by one year in comparison with the Council mandate. Indeed, the important innovations proposed require sufficient advance warning for the industry to adapt.*

*The Committee calls on the Commission to lay down stricter requirements for urban vehicles using gaseous fuels, as the condition for tax concessions. To this end, consideration should be given to suitable fiscal instruments to encourage the purchase of these vehicles, thus improving air quality.*

*The Committee agrees that current test procedures no longer correspond to the technical progress achieved and is pleased that the Commission is tackling this problem realistically through the present draft directive.*

The Committee welcomes the recommendations made by the experts and adopted by the Commission, but stresses the need for further study and experience in the field, and calls for a *common solution to be drawn up* for all engines with a view to the further tightening of requirements planned by the Commission for 2005. The Committee would also point out that any common solution must aim at a high level of environmental protection and therefore take due account of the operating conditions of the engine (such as the transient phases, e.g. acceleration phases) which correspond to high emission levels.

The Committee notes that the new limits proposed by the Commission form part of a series of measures initiated on the basis of the Auto Oil I results. The Committee draws attention to the important role which *improvements in fuel quality* can and must play in reducing emission levels from the road vehicles in circulation. It therefore takes the view that the measures planned for 2000 and 2005 should be extended to imposing (specific) requirements for diesel oils and petrols *which are consistent with the Community's environmental objectives*. To this end the Committee calls upon the Council/European Parliament to take decisions which meet the expectations of European citizens in terms of air quality.

## 6. COPYRIGHT IN THE INFORMATION SOCIETY

**Opinion of the Economic and Social Committee**  
on the *Proposal for a European Parliament and Council Directive on the harmonization of certain aspects of copyright and related rights in the information society*

(COM(97) 628 final - 97/0359 COD)

(CES 1122/98 - 97/0359 COD)

Rapporteur: Robert J. MORELAND (United Kingdom - Various Interests)

### **Gist of the Commission document**

The present directive aims to provide a harmonized and appropriate legal framework for copyright and related rights in the information society, so as to ensure the smooth functioning of the internal market.

The Commission has clearly identified intellectual property protection as a key issue given the critical role creative content and innovation will play in the further development of the information society. The Green Paper on Copyright and Related Rights in the Information Society, COM(95) 382 final of 19 July 1995, focused the debate on the challenges to copyright and related rights brought about by the new technologies.

The ensuing consultation process confirmed that the existing Community framework on copyright and related rights, needs adaptation. The Commission's Communication "Follow-Up to the Green Paper on Copyright and Related Rights in the Information Society" COM(96) 568 final set out the results of this consultation exercise and explained the reasoning behind its policy approach which has resulted in this proposed directive.

Action is considered necessary in two areas: first, through harmonised legal protection, by adapting copyright and related rights to the new risks and opportunities, in order to achieve a level playing field for copyright protection across national borders. Secondly, on the technological side, by developing adequate systems allowing for electronic rights management and protection. The communication identifies four issues requiring immediate legislative action to eliminate existing or potential barriers to trade between Member States:

- the reproduction right;
- the right of communication to the public;
- legal protection of the integrity of technical identification and protection schemes;
- the distribution right, including the principle of exhaustion.

In addition, the directive will implement a significant number of new international obligations, such as the "WIPO Copyright Treaty" and the "WIPO Performances and Phonograms Treaty".

The present harmonization initiative was announced in the Commission 1997 Work Programme and in the Information Society "Rolling Action Plan" COM(96) 607 final of 27 November 1996. The importance of presenting legislative measures in the area of intellectual property was also recently highlighted in the Commission's Communication "A European Initiative on Electronic Commerce" COM(97) 157 final of 16 April 1997.

### **Gist of the Opinion**

The Committee is not proposing any alteration of those parts of the draft Directive which simply transpose parts of the WIPO Treaty into Community law and generally supports the proposed Directive. The Committee suggests that the Commission issue a consolidating directive, in order that all the legislation on copyright and related rights at Community level should be available in one document, for ease of reference.

Article 2 is to be welcomed: the Information Society will only be encouraged if rightholders can control what will ultimately be the only commercial use of their works online, which will largely be through the making and usage of temporary or transient copies.

Careful consideration should be given in Article 3 to ensuring that any definitions will stand the test of changing technology.

Concerning Article 4, the Committee accepts that in the current state of the market, the Commission was right to apply Community, rather than international, exhaustion. However, the wording should be amended to put the matter beyond doubt.

Article 5.1 needs expanding and clarifying, and most closely overlaps with the pending Commission proposal on liability for on-line activities. The copyright rules are not necessarily the proper approach to resolving service provider liability issues but the two Directives should be closely associated and it is desirable that the liability Directive be agreed as soon as possible after this one, if the two cannot proceed in tandem.

The Committee is concerned that the extent of the Member States' exemptions to exclusive reproduction rights (Articles 5.2 and 5.3) could continue matters which operate as effective barriers to trade within the Community and feels, accordingly, that the Commission should maintain a careful watch.

In the Committee's view a correct balance has been struck in Article 6, but the prohibition should also be extended to those devices which are "*promoted, advertised or marketed for the express purpose of such circumvention*".

Regarding Article 8, the Committee recommends that a more detailed list of remedies, including effective temporary remedies should be required of the Member States, and urges the Commission to maintain a watching brief on the provision of adequate remedies by Member States and should highlight where deficiencies on the part of Member States are apparent.

## **7. IMPACT OF THE INTRODUCTION OF THE EURO ON THE SINGLE MARKET (SMO) (Own-initiative)**

**Opinion of the Economic and Social Committee on the impact of the introduction of the euro on the single market (SMO)**

(CES 1123/98)

Rapporteur: Umberto BURANI (Italy - Employers)

### **Background**

The euro is the future European single currency. It was provided for in the Treaty on European Union which has been ratified by the parliaments of all Member States. It will become part of our everyday lives as of 1 January 2002, when euro notes and coins will come into circulation. It will, however, be legal tender as of 1 January 1999, after which it may be used on the financial markets. During a three-year transition period (January 1999-January 2002), companies will be able to choose freely between the euro and their national currency for all transactions.

The expected impact of the euro will, *inter alia*, be on:

- *company structure*: the euro will become the unit of account for companies based in EMU countries; this may encourage mergers between companies in different countries;
- *the market*: the euro will benefit companies wishing to extend their markets and will allow immediate price comparisons between different countries;

- *company structure and management*: the transition from the national currency to the single currency will involve changes in administration and accounting practices and, consequently, extra costs. The transition will be gradual, however, thanks to the three-year transition period (January 1999-January 2002) in which companies will be able to choose which currency to use;
- *employment*: the introduction of the euro will put an end to certain costs associated with exchange risks and will bring about economic recovery. Interest rates will become investor-friendly and company management will be increasingly streamlined, leading to greater efficiency.

For the Single Market Observatory (SMO), the main problem is the euro's impact on the operation of the single market, that is, on the free movement of goods, people, capital and services. The existence of a single market is, in fact, the *sine qua non* of the introduction of the single currency which, in turn, will strengthen it further.

The way the SMO usually approaches this type of project is to consult the users of the single market, asking them for their opinions on the impact of the single currency. To this end, two hearings were held, in Rome and in London, attended by those socio-occupational organizations which will be most directly affected by the introduction of the euro.

### **Gist of the opinion**

#### **Impact of the introduction of the euro on freedom of establishment:**

Several economic agents believe that the euro could have an impact on company relocation and on decisions regarding takeovers, concentrations and mergers.

For those countries which already have a more favourable climate in terms of taxation, labour costs and labour availability, the single currency would be the decisive factor in attracting new businesses.

The introduction of the euro would not seem to affect relocation to non-European third countries; the opposite in fact could happen if the Asian

crisis persists, in which case the reassuringly stable "euro area" would become more attractive.

When companies are considering options such as takeovers, mergers or the acquisition of a stake in another company, the euro will be a considerably important factor.

To obtain the best results from the single currency, *fiscal harmonization must be a top priority.*

### **The impact of the introduction of the euro on competition**

If values can be compared, the supply terms of goods and services will become more transparent, thereby intensifying competition.

The ESC believes that a greater business culture should be propagated amongst small and medium-sized operators, in order to make them aware that new strategies are needed to address a global situation which is likely to evolve rapidly over the next few years. Manufacturers' hold on local markets - currently subject to a relatively modest consumer mobility - is likely to be affected by new forms of electronic trading and by the ease of payment offered by a single European currency.

### **The impact of the euro on competitiveness**

The elimination of exchange risks, of insurance costs against such risks and of transaction costs *within* the euro-zone should bring about a cost reduction *per se*.

Viewed in its entirety, the greater competition brought about by the euro should lead to streamlining in the manufacturing, distribution and service sectors - a process which cannot take place without sacrificing companies that are only marginally competitive. It will be a difficult task for the authorities to ensure that the rules of the market are not distorted by intervention to keep such companies afloat, while, at the same time, ensuring that jobs are not sacrificed.

### **The impact of the euro on employment**

The *only* sector which will be *directly* affected by the adoption of the euro is, of course, the financial sector (particularly banking). A considerable part of banking turnover comes from brokerage in different currencies and coverage of exchange risks.

At present it is unclear whether the banking sector as a whole will be able to reabsorb the surplus human resources via retraining and by increasing business in other sectors. Neither is it clear whether, in the medium term, it will manage to find new business to compensate.

In all other fields, the impact of the euro on employment must be seen in the light of the element of stability it will bring to the economy, and the fact that it will foster external competitiveness, the convergence of European economies and social harmony.

As regards employment policy, there is no doubt that a side-effect of the need to respect the rules laid down in the stability and growth pact is a restriction of government freedom to use public investment to boost employment.

We cannot expect the introduction of the euro to banish immediately all differences and to be the perfect crown to the single market. Neither will it be possible for the euro alone to resolve the problems relating to fiscal harmonization and standards, job/company mobility and wage comparison - these problems are not related to the single currency, but the euro will at least have the merit of highlighting them and of acting as a reminder of the need to resolve them.

## **8. FREEDOM TO PROVIDE SERVICES AND THE GENERAL GOOD IN THE INSURANCE SECTOR (Additional Opinion)**

**Opinion of the Economic and Social Committee on the Commission's draft interpretative communication: Freedom to provide services and the general good in the insurance sector (SEC(97) 1824 final)**

(CES 1124/98)

Rapporteur: Manuel ATAÍDE FERREIRA  
(Portugal - Various Interests)

### **Gist of the Commission proposal**

This draft communication is the Commission's contribution to the discussions under way on the problems associated in the insurance industry with the freedom to provide services (Part I) and the general good (Part II), in the light in particular of

the third Council Directives on insurance (92/49/EEC and 92/96/EEC).

The Commission considers the broadest possible consultations on its interpretative work to be essential.

In the light of the contributions received, the draft will, if necessary, be transformed into a Commission interpretative communication.

In the first part of the draft communication, the concept of freedom to provide services is defined. Light is shed on the dividing line between the concepts of freedom of establishment and freedom to provide services, and certain situations in which it is difficult to differentiate between the two are analyzed in depth.

In the second part of the draft communication, the concept of "general good", as developed by the Court of Justice, is analyzed. The concept is explained step by step and the document describes how it applies to freedom of establishment and freedom to provide services. Guidance is given as to how and when the host Member State may have recourse to the general good concept with a view to enforcing compliance with its own rules by an insurance company which wishes to carry on business in its territory through a branch or under the freedom to provide services.

The Commission has come to realize that the continuing uncertainty surrounding the interpretation of the basic concepts of freedom to provide services and the general good seriously undermines the workings of the machinery set up by the third directives on the coordination of insurance, and is likely to deter certain insurance undertakings from exercising the freedoms created by the Treaty, which the third directives set out to promote and, hence, to restrict the free movement of insurance services in the European Union.

#### **Gist of the Opinion**

The ESC believes that the Commission should issue an interpretative communication on the general good and freedom to provide services and right of establishment arrangements with regard to insurance, as it has done in relation to the banking sector.

The Committee considers that in the interests of market transparency, the publication of, or free access to, lists of insurance companies which have notified their intention to operate under the freedom to provide services should be made compulsory.

It seems necessary to establish that conducting business under the freedom to provide services or the right of establishment, without having fulfilled the requirements of notification of the Member State of origin and subsequent developments, may constitute grounds for initiating the procedures, including urgency procedures, under Article 40 of Directives 92/49/EEC and 92/96/EEC.

The Committee must, however, point out that other aspects, equally vital to the completion of a single insurance market, are omitted from the present draft communication, such as the harmonization of basic aspects of insurance policies and direct and indirect taxation arrangements. This was fully discussed in the opinion which the present document supplements.

It considers the document submitted for public debate to be a good basis for work in this regard, provided due account is taken of the present opinion. The Committee reserves the right to draw up an opinion on the final version of the communication, and emphasizes that the Commission's work thus far is of great value in the context of the simplification initiatives under the SLIM programme.

When the basic structure of the single insurance market is sketched out by means of interpretation - a market in which the general good will have to take on a European dimension - no interruption in insurance contractual relationships - particularly in terms of consumer protection - must be allowed. To this end, the supervisory authorities must be provided with the necessary means to ensure strict compliance in the insurance sector.

It will not be possible to overcome many of the problems affecting the insurance market simply by means of an interpretative communication: legislation will be required, including international law. The ESC sought to draw the Commission's attention to this need in its earlier own-initiative opinion on consumers in the insurance market, and would now repeat this call.



## 9. LATE PAYMENTS

**Opinion of the Economic and Social Committee**  
*on the Proposal for a European Parliament and Council Directive combating late payment in commercial transactions*

(COM(98) 126 final - 98/0099 COD)

(CES 1125/98 - 98/0099 COD)

Rapporteur: Henri MALOSSE (France - Employers)

### Gist of the Commission proposal

The Commission's Recommendation of 12 May 1995 on payment periods in commercial transactions urged Member States to tackle the problem of late payments. However, the Commission's Communication of 9 July 1997 showed that action had been taken in only a limited number of countries to improve the payments situation between firms. There have been calls from both the European Parliament and the Economic and Social Committee for stronger, Community-wide action.

This proposal therefore contains a package of measures to combat late payments in the Community. The proposals apply to late payments between businesses, and between the public sector and businesses. The Commission's proposal contains a number of minimum requirements. Wherever possible, it aims at mutual recognition of Member States' provisions. The proposed provisions are limited to what is necessary to achieve the proper functioning of the internal market.

### Gist of the opinion

The Committee :

- approves the principle of a European Commission initiative to combat excessively long payment deadlines and late payments;
  - approves totally the draft as regards public procurement. These proposals would be nicely rounded off by an obligation to provide information in notices published in the Official Journal of the European Communities and by provisions to assist sub-contractors and the "full compensation" of creditors;
- requests that the proposals be strengthened as regards inter-enterprise relations so as to really attack the root causes of delays and excessively long payment periods. The directive should thus call upon the most exposed member states to provide for specific regulatory provisions applicable to contracts, strengthen their legislation against abnormally long payment periods, recommend transparency in contracts, with an indication of payment periods and conditions, and make it easier for SMEs to transfer the right to interest to third parties;
  - proposes a clause stipulating a review of the directive within three years, with the possibility of establishing a maximum payment period applicable to contracts in the absence of cogent results;
  - emphasises the importance of redress procedures that are rapid and easily accessible, and calls upon the Commission to flesh out its proposals in this direction; and
  - proposes the setting-up of an advisory committee open to interested parties, which could operate with ESC support.

## 10. INTERIOR FITTINGS OF MOTOR VEHICLES

**Opinion of the Economic and Social Committee**  
*on the Proposal for a European Parliament and Council Directive amending Council Directive 74/60/EEC on the approximation of the laws of the Member States relating to the interior fittings of motor vehicles (interior parts of the passenger compartment other than the interior rear-view mirrors, layout of controls, the roof or opening roof, the backrest and rear part of the seats)*

(COM(98) 159 final - 98/0089 COD)

(CES 1126/98 - 98/0089 COD)

Rapporteur: Edoardo BAGLIANO (Italy - Employers)

### Gist of the Commission proposal

The objective of this proposal is to incorporate in Council Directive 74/60/EEC, as last amended by Commission Directive 78/632/EEC, requirements concerning power-operated windows with the aim

of eliminating the danger to children which can occur when closing these windows; similar requirements are to apply to power-operated roof panel systems and partition systems.

Furthermore, it is proposed to align the administrative provisions of Directive 74/60/EEC on those of the EC type-approval Directive 70/156/EEC so that type-approval may be computerized.

The Commission proposes to incorporate in Directive 74/60/EEC requirements concerning power-operated windows, roof panel systems and partition systems for vehicles of category M<sub>1</sub> (passenger cars). It is proposed that these new provisions should apply:

- from 1 October 1999 for all new vehicle types,
- from 1 October 2000 for all new vehicles.

Furthermore, it is proposed to modify the title and the scope of Directive 74/60/EEC accordingly, to align the administrative provisions of Directive 74/60/EEC on those of the EC type-approval Directive 70/156/EEC and to amend Article 1 of Directive 74/60/EEC.

#### **Gist of the opinion**

The Committee recommends that the Commission take a global, coordinated approach to the safety problem, in line with its Green Paper on safety (COM(97) 131 final "Communication from the Commission - promoting road safety in the EU. The programme for 1997-2001", published on 9 April 1997).

The Committee trusts that the Commission Communication on road safety in the EU will soon lead to concrete action by the Commission itself. The Committee particularly urges that the Draft Directive on the construction specifications of buses (COM(97) 276 of 18.6.97) be finalized, as it includes provisions on access to transport for the disabled.

Lastly, the Committee wishes to highlight the lack of clarity in Article 2(3), which specifies the date after which newly-registered vehicles will have to comply with the provisions of the proposal. This date could, in fact, be interpreted as applying to all vehicles covered by the scope of the directive and not just to Category M<sub>1</sub> vehicles, for which the provisions in Annex I were drawn up exclusively.

It is therefore proposed that the second indent of Article 2(3) be deleted, as it is superfluous and could be misinterpreted.

#### **11. LIQUID-FUEL TANKS - MOTOR VEHICLES**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive amending Council Directive 70/221/EEC on the approximation of the laws of the Member States relating to liquid-fuel tanks and rear underrun protection of motor vehicles and their trailers**

(COM(98) 97 final - 98/0071 COD)

(CES 1127/98 - 98/0071 COD)

Rapporteur: Edoardo BAGLIANO (Italy - Employers)

#### **Gist of the Commission proposal**

The Commission proposes to incorporate in Directive 70/221/EEC new provisions for tanks made of plastic material for vehicles of category M<sub>1</sub>. It is proposed that these new provisions should apply:

- from 1 October 1999 for all new vehicle types;
- from 1 October 2000 for all new vehicles.

Gaseous fuels are of increasing interest for the propulsion of motor vehicles, especially on environmental grounds.

It is therefore proposed to extend the title and the scope of Directive 70/221/EEC to tanks for fuels other than liquid fuels, to adapt Article 1 of Directive 70/221/EEC to the definitions of Directive 70/156/EEC and to amend Article 3 of Directive 70/221/EEC concerning the adaptation to technical progress of the annexes to that directive.

#### **Gist of the opinion**

The Committee feels that the proposed amendments are necessary and timely, as they provide clarity in an area (methodology and test procedures) which the current directive defines only vaguely, and to which the technical services have merely responded pragmatically.

The Committee also feels that the proposed mechanical strength and impact resistance tests, carried out on the tank as a separate component, must be in addition to car crash simulation tests. In this respect, the Committee is pleased to note that the tests for frontal impact (Directive 96/79/EC) and side-impact (Directive 96/27/EC) already provide for, *inter alia*, monitoring of any fuel leakage caused by distortion of the bodywork.

The Committee calls on the Commission to draw up specifications for gaseous-fuel tanks (LPG and/or CNG), in accordance with the provisions of the third recital. Moreover, the Committee realizes that the extended scope of the directive provides the legal framework for a future, simplified incorporation of the outcome of the UN-ECE talks on the safety of gaseous-fuel tanks, currently being held in Geneva.

## **12. ACTION PLAN FOR THE SINGLE MARKET (SMO) (2<sup>nd</sup> Additional Opinion)**

**Opinion of the Economic and Social Committee on the Action Plan for the Single Market - 2<sup>nd</sup> Additional Opinion (Single Market Observatory)**

(CES 1128/98)

Rapporteur: John LYONS (United Kingdom - Workers)

### **Reasons for drawing up a second Additional Opinion**

On 29 May 1997, the ESC adopted a favourable Opinion on the Commission's Draft Action Plan (AP) for the Single Market (CSE 97/1), rapporteur-general Mr Pezzini.

The Committee endorsed the strategic targets identified in the AP:

- making the Single Market rules more effective;
- eliminating market distortions;
- removing sectoral obstacles to market integration; and
- ensuring that the Single Market provides real benefits for ordinary people.

Another important element in the AP, which was adopted by the European summit in Amsterdam in June 97, was the publishing of a half-yearly

"scoreboard" for each Member State concerned. This scoreboard will provide a regular update on the progress of implementation of the Single Market until the new deadline set for the realisation of the Single Market: January 1999.

In March 1998 the Committee gave an additional Opinion on the 1<sup>st</sup> version of this Scoreboard, published in November 1997. In May 1998, the Commission published the 2<sup>nd</sup> Scoreboard, which - in comparison with the 1<sup>st</sup> version - has been enlarged and updated.

In addition to updating the information provided in the 1<sup>st</sup> Scoreboard about the implementation of Single Market Directives and infringement procedures, it reports on progress with technical harmonisation and standards, as well as transparency, and contains reports on feedback from European citizens, and Single Market economic integration.

### **Gist of the Opinion**

The Committee welcomes the 2<sup>nd</sup> version of the Scoreboard as warmly as it did the 1<sup>st</sup>.

The actual production of the Scoreboard is excellent, with relatively short descriptive pieces well laid out, and supported by up-to-date statistics and clearly displayed tables. The naming of Member States in relation to their performance has the merit of making specific what would otherwise be hidden by averages or anonymity (or both), heightening the readers' interest and attention. The mistake has not been made of trying to cover too much ground in a single issue, although of course more material will become available as time goes on. There is only time for one more issue before we reach the target date, but the Committee urges the Commission to continue with the Scoreboard indefinitely.

The Scoreboard should be developed to have a much wider impact. It has the potential to become a key information instrument for the actors throughout the Single Market. The Commission should certainly consider both the frequency of its publication and the breadth of its circulation. The contents of each issue should for certain be placed on the Internet.

The one problem (understandable and easily put right) the Commission has with the Scoreboard is striking the right presentational balance between

the achievements and non-achievements of the Action Plan. Without doubt the Action Plan has stimulated activity in many areas in which activity was previously dormant, and the credit for that must lie with the Commission. The Scoreboard is above all the place for presenting the achievements of the Action Plan, and for this to be done clearly and attractively, as it has been.

Natural pride combined with enthusiasm has, however, tended to cause the Commission to lose sight of the fact that most of the activity which is to be completed by the target date of 31.12.98 is activity by the Commission, mainly in initiating actions or completing them. While this is the vital first step, it is only the first step. It is at Member State level that the Single Market has to work. And it is at Member State level that much the greater scope for improvement exists.

There will be only one more edition of the Scoreboard before the target date of the Action Plan is reached. The Committee understands the Commission does not intend to launch a second Action Plan, although no decision has yet been taken. However, the Committee feels that the Action Plan cannot simply be allowed to lapse. This would encourage the feeling that - the special effort having been made - everyone could relax. The value of much of what had been achieved could be undermined. Concentrated attention to the implementation of the requirements for the Single Market needs to be maintained, even if in a different form. The Committee believes the Commission should publish a communication in the early Autumn setting out what it has in mind for 1999 and beyond, by way of sustaining the momentum and interest generated by the Action Plan.

**Section for Regional Development and Town and Country Planning**

Patrick Fève, Principal Administrator - ☎ (32-2) 546 9616

**13. TERRITORIAL EMPLOYMENT PACTS**  
(Own-initiative)

**Opinion of the Economic and Social Committee**  
*on Territorial employment pacts*

(CES 1129/98)

Rapporteur: Ettore MASUCCI (Italy - Workers)

**Reasons for drawing up an opinion**

Following Commission President Santer's request for ESC involvement in the territorial employment pacts (through support at the appropriate level, and more specifically at the level of national economic and social interest groups), the Regional Development Section drew up an information report on the pacts. After a plenary debate on 30 October 1997, it was decided to forward the report to the other institutions.

The information report provides an initial response to President Santer's request, and is designed to explain the procedure proposed by the Commission for drawing up the pacts, and the procedure for implementing them. It also contains various

comments on the global employment strategy of which the pacts are a part.

The report was intended to form part of the Committee's contribution to preparations for the Interinstitutional Forum which was initially scheduled to meet in November 1997 but has since been postponed until autumn 1998. This forum, in which the Commission wants the Committee to be closely involved, will help to publicize the pacts and will arrange promotional events in the field.

Despite the postponement of the forum, section members preferred to complete the report in time for the Employment Conference organized by the Luxembourg Presidency on 21 November, at which the pacts were to figure on the agenda.

Since the report was drawn up, almost 90 draft pacts have been submitted to the Member States. These drafts are currently in the preparatory stage, which lasts a maximum of four months from the time they are submitted. To assist this preparation, the Commission has granted each project initial Structural Fund aid of ECU 200,000 for the funding of studies and assessments by outside experts. This will facilitate the detailed finalization of the employment action plan for each area.

At the end of this preparatory phase, the Commission will assess each pact in order to identify those which could continue to attract Structural Fund aid for further promotional and networking activities, as well as funding for employment measures proper under the pacts, up to the end of 1999.

It is against this background that the section has decided to take advantage of the postponement of the Interinstitutional Forum in order to take a further look at some of the issues raised in the report. In so doing, it will draw on the replies to a questionnaire which the study group sent to national economic and social councils. So far these replies have not been evaluated in full. Most importantly, the whole Committee will be able to recommend ways in which the pacts can fulfil their purpose, particularly as regards the creation of employment.

#### **Gist of the opinion**

The opinion deliberately devotes special attention to the partnership. The Committee also intends to focus on three objectives and identify positive actions which it could implement in the run-up to the Interinstitutional Forum, and throughout the back-up stage envisaged for the pilot pacts. The three objectives are:

- extensive information and promotion of TEP strategy, as providing the ideal opportunity for a partnership for economic and social development;
- specific monitoring of the implementation of the partnership;
- assessment of ways of harnessing innovative actions to create real, lasting jobs, by drawing on the potential offered by the "new sources of employment" resulting from local development.

Following a preliminary examination of the content of the selected territorial pacts, the Committee notes that the interim reports provide some encouragement. However, there are also many shortcomings and inadequacies, owing to insufficient cooperation, the sheer novelty of the initiative for some countries, and organizational, management and financial problems. These are addressed in the opinion.

In view of the above, the Committee puts forward several recommendations in two main areas:

- improved information on and promotion of territorial pacts, particularly through the exchange of good practice and technology transfers;
- strengthening the partnership, in particular by flanking public sector initiative with input from private partnerships, the non-profit sector (social economy and mixed economy), the social partners, universities and training colleges.

The opinion also addresses the creation of a new labour market as a result of synergies provided by local development initiatives and national employment policy measures; these have created new sources of employment which correspond to real needs.

As for the ESC's role in the TEPs, the Committee feels it should involve monitoring the operation of the partnership. To this end, it intends to organize hearings, extending an invitation to the social partners, the public authorities and all other players involved in the TEP partnership. These hearings could culminate in a "European Partnership Forum".

#### **14. STRUCTURAL FUND REFORM**

**Opinion of the Economic and Social Committee on the Proposal for a Council Regulation (EC) laying down general provisions on the Structural Funds (98/0090 (AVC))**

*Proposal for a Council Regulation (EC) on the European Regional Development Fund (98/0114 (SYN))*

*Proposal for a Council Regulation (EC) relating to the European Social Fund (98/0115 (SYN))*

*Proposal for a Council Regulation (EC) on structural measures in the fisheries sector (98/0116 (CNS))*

*Proposal for a Council Regulation (EC) amending Regulation (EC) No. 1164/94 establishing a Cohesion Fund (98/0104 (AVC))*

*Proposal for a Council Regulation (EC) amending Annex II to Regulation (EC) No. 1164/94 establishing a Cohesion Fund (98/0118 (CNS))*

(COM(98) 131 final - 98/0090 AVC - 98/0114 SYN - 98/0115 SYN - 98/0116 CNS)

(COM(98) 130 final - 98/0104 AVC)

(CES 1130/98 - 98/0090 AVC - 98/0114 SYN - 98/0115 SYN - 98/0116 CNS - 98/0104 AVC)

Rapporteur: Campbell CHRISTIE (United Kingdom - Workers)

### Gist of the Commission proposals

On 18 March 1998 the Commission adopted its proposals for regulations on the Structural Funds and the Cohesion Fund for the period 2000-2006; these proposals spell out in detail the guidelines it had laid down in "Agenda 2000".

The new Structural Fund regulatory architecture also reflects a concern to simplify the legislation and make it more transparent.

### The Structural Funds

The Commission's proposals consist of:

- a general regulation encompassing all general principles underpinning the Structural Funds (the Funds' priority objectives and roles, programming methods and general organizational principles, coordination between the Funds and the various financial instruments, financial management, assessment and supervision) and
- four specific regulations, for each of the Funds (ERDF, EAGGF, ESF, FIFG); which are substantially streamlined and limited to the Funds' specific provisions, hence concentrating on their respective areas of intervention.

The political approach to reform of the Structural Funds focuses on five priorities:

- fostering conditions for sustainable economic development: growth, competitiveness and employment;
- boosting competitiveness, innovation and support for the development of SMEs;
- development of human resources so as to promote employment;
- sustainable development and protection and upgrading of the environment;
- equal opportunities for men and women.

To give force to these priorities, the Commission will establish Community guidelines for each Structural Fund objective both prior to the presentation of plans by the Member States and before the mid-term review of the programmes.

### 1. General principles underpinning the Structural Funds

The proposed reform is centred on three fronts:

- *Greater concentration on Structural Fund intervention at four levels:*
  - The number of priority objectives is reduced from 7 to 3 (two regional objectives: (1) promoting the development and structural adjustment of regions whose development is lagging behind, and (2) supporting the economic and social conversion of areas experiencing structural difficulties, as well as a horizontal objective (supporting the adaptation and modernization of education, training and employment policies and systems). Community initiatives are reduced from 13 to 3 ((i) trans-national, cross-border and inter-regional cooperation, (ii) rural development, (iii) new trans-national cooperation to fight all sorts of discrimination and inequality preventing access to employment); the Commission proposes to allocate 5% of Structural Fund resources for such initiatives, as compared with 9% for the current period;
  - Geographical concentration with a view to arriving by the end of the period (2006) - with the backing of transitional support measures to last six years for regions that will cease by the year 2000, to be eligible under Objective 1 and four years for those that will cease to be eligible under Objective 2 - at a reduction of the eligible Community population from the current 51% to between 35% and 40% (20% for Objective 1 and 18% for Objective 2);
  - concentration by theme on priority areas of intervention encouraging an integrated development approach as regards both regional and national needs and Community priorities; here the Commission will contribute primarily by establishing guidelines prior to the programming process;
  - financial concentration, whereby Structural Fund intervention will continue to prioritize regions whose development is lagging behind, these would receive two-thirds of financial aid, viz. a similar proportion to the average for the current programming period.



– *Simplification and decentralisation of the Funds*

In addition to the above reduction in the number of objectives and Community initiatives, concentration of the Funds' operations as part of integrated strategic programming of economic and social development on a region-by-region basis at NUTS II territorial level, in conjunction with coherent and synergy-led deployment of all structural policy financing instruments, will help both in boosting the Funds' economic impact and simplifying their operational arrangements.

Such simplification will also be encouraged by reshaping partnership on the basis notably of a clearer division of responsibilities between the Commission and the Member States as well as within the Member States.

Here the Commission's responsibilities will be recentred on strategic programming, the respect of Community priorities, checking results through monitoring, evaluation and control, and the allocation of resources. The Member States, for their part, will be responsible for programme implementation and the management of operations, under a broader and deeper partnership presupposing the close involvement of socio-economic and other partners throughout the Structural Fund intervention process.

With this in mind, a single authority will be designated to manage each programme and, in conjunction with the monitoring bodies, to determine the details of these programmes, in particular the budget to be allocated for the various operations, project selection and the final beneficiaries.

All types of partners should be represented on these monitoring committees - which are not as such an innovation. They will be chaired by the management authority.

Other measures are also proposed with a view to simplifying and enhancing the transparency of financial management as well as decentralizing funding, while enabling the Commission to continue to exercise its responsibility for budgetary implementation (preparation of an annual implementation report, collection of data and indicators, annual monitoring meetings with both the management authorities and the national

bodies responsible for control, mid-term evaluation of intervention).

– *Reinforcing the Funds' impact and control*

In addition to the above, the Funds' impact will be reinforced by clearer involvement of the responsibility of the partners benefiting from the Structural Funds in tandem with better guarantees from the States and regions vis à vis the Commission regarding the control, checking and evaluation of results. The implementing details of these guarantees, to serve as counterweight to the simplification and decentralization advocated by the Commission, will have to be approved by the latter.

In addition, the Commission will be able to undertake its own checks and impose corrective financial measures in the event of irregularities or failure to comply with Community legislation. The Member States will, however, bear the main responsibility for such corrective measures.

To boost efficiency, the Commission is also considering the setting-up of a reserve of up to 10% of the total Structural Fund budget, which would be allocated, after the mid-term evaluation, to the programmes shown to be most effective in terms of budget implementation, management and attainment of fixed objectives. This mid-term evaluation would be based on a small group of quantifiable and verifiable indicators comparing progress with performance standards set at the start.

## **2. The specific regulations**

### ***European Regional Development Fund (ERDF)***

In the context of its designated role, the ERDF will participate in four types of financing:

- productive investment to promote the creation or preservation of sustainable employment,
- investment in infrastructure;
- support for endogenous development through measures to activate and support local development and job creation schemes and SME activities;
- technical assistance measures, to the extent of 0.3% of its annual appropriation (with particular emphasis on the productive sector environment, research and technological

development, information society, protection and improvement of the environment, equal access to employment for men and women and trans-national, cross-border and inter-regional cooperation on regional development).

Under the general regulation, the ERDF will also contribute to the implementation of the Community initiative for trans-national, cross-border and inter-regional cooperation on regional development and could participate up to a ceiling of 0.7% of its annual appropriation, in the funding of innovatory Community activities in the regional development sphere, including studies, pilot projects and exchanges of new experiences.

### *European Social Fund (ESF)*

The ESF's role is based on the new employment chapter of the Amsterdam Treaty and comes within the scope of the employment strategy defined at the Essen European Council and the annual national action plans for employment.

The ESF will fund from its own resources operations under the new Objective 3 and will contribute, coherently and in synergy with the other Funds, to operations relating to Objective 1 and Objective 2.

ESF action will focus on five areas:

- active labour market policies to fight unemployment,
- promoting social inclusion,
- lifelong education and training systems to promote employability,
- anticipating and facilitating economic and social change,
- improving access to the labour market for men and women.

In the last two areas, a minimum indicative intervention level of 15% of ESF financing is envisaged.

Provision is also made for:

- an ESF contribution to promote local job creation initiatives, including territorial employment pacts;
- a minimum 1% of ESF resources to be made available to intermediary organizations in the shape of small subsidies to non-governmental

organizations which have local expertise and experience;

- an ESF contribution for implementation of the Community initiative to fight against discrimination and inequality in access to the labour market;
- funding of new preparation, monitoring, evaluation and control activities, and technical assistance, necessary for implementation of the operations covered by the ESF regulation, in line with the provisions of the general regulation.

### *Structural operations in the fisheries sector (FIFG)*

Action in this sector will pursue four targets:

- helping to achieve a sustainable balance between fishery resources and their exploitation;
- strengthening the competitiveness of structures and the development of economically viable enterprise in this sector;
- improving market supply and upgrading fishery and aquaculture products;
- contributing to the revitalization of fishery-dependent areas.

For the purpose of these activities, the financial instrument for fisheries guidance (FIFG), which will in future be a Structural Fund in its own right, will participate in Objective 1 and Objective 2 regions and cover all structural activities in the sector with the exception of those relating to the restructuring of fishing fleets (Objective 2) which will be funded under the Guarantee section of the EAGGF.

Like the other Structural Funds, and under the same conditions, FIFG will also fund innovatory activities specifically relating to the sector as well as technical assistance measures.

### *Cohesion Fund*

The Commission found it unnecessary "to disturb the legal structure of an instrument which is operating in a very satisfactory fashion" and hence is not proposing any major changes in the 1994 regulation which set up the Cohesion Fund.

Since the principle of this Fund's continued existence has been established since the

presentation of "Agenda 2000", the Commission is now also proposing that the four current beneficiary countries (Spain, Greece, Ireland and Portugal), whose GNP is still under 90% of the Community average, should remain eligible for Cohesion Fund assistance.

A mid-term review is to be carried out in 2003. Should one or more of these four countries cease to be eligible, this review will not be accompanied by a transitional period, as provided for the Structural Funds.

The Commission, drawing on its experience of the Cohesion Fund's four years in operation and anxious to take account of the future context generated by the single currency, to boost the Fund's impact and to simplify its implementing arrangements, is nonetheless proposing a number of adjustments to its legislative framework.

As regards the key principles, these adjustments relate to:

- macro-economic conditionality;
- greater use of other sources of complementary private finance;
- better application of the polluter-pays principle
- a larger role for the Member States in financial control.

The changes in the implementing regulation are intended to achieve three goals:

- to boost the impact of the Fund's operations by introducing a common definition of concepts such as "project", "groups of projects" and "stages of projects", with a view to avoiding excessive fragmentation of projects into instalments, and a fuller assessment of alternatives and environmental impact;
- to streamline the financial management provisions by introducing a simpler system for budget commitments, improving the payments system and clarifying the situation as regards Community budget commitments;
- to introduce a system for financial corrections.

The Cohesion Fund will have an appropriation of ECU 20.3 billion at 1997 prices (euro 21 billion at 1999 prices) for the period 2000 to 2006.

## Conclusions

The Economic and Social Committee broadly supports the proposed revisions to the operation of the Structural Funds as tabled by the Commission. The proposed reforms build upon the success of the Structural Funds over the period since 1988, and further consolidate the principles of concentration, programming, partnership and additionality established at that time. Together these principles have underpinned the significant success recorded by the Funds in furthering the objective of economic and social cohesion across the EU, and enhancing the solidarity of the European Union. This objective remains as valid in the current environment as it did when the Funds were reformed in 1988. Consequently, it is essential the Funds continue to provide a coherent and adequately resourced framework within which EU regional economic disparities can be narrowed, and the economic prospects of the disadvantaged regions improved.

Although detailed comments are made in this Opinion regarding the economic impact that further concentration under Objectives 1 and 2 of the Structural Funds will have in some regions, especially those who narrowly fail to meet the specified criteria for support under the Funds, nonetheless the Economic and Social Committee endorses the Commission approach which focuses on the application of measurable and transparent criteria in determining which regions are eligible for financial support from the Funds. The benefits of the Structural Funds to the EU generally can be maximised only if support is correctly and fairly targeted.

However, it is also important that the Structural Funds retain an element of flexibility which ensures that they can be used to address unexpected economic disturbances of a structural nature which have a specific regional dimension. Under the current Regulations this role, in part, is played by Community Initiatives, which have shown themselves both to be adaptable to unforeseen structural shocks and innovative in their approach. The ESC considers that the Regulation should continue to provide for such a role to be played by Community Initiatives.

The principle of Partnership has been central to the successful implementation of the Structural Funds since 1988. By providing for the

involvement of the economic and social partners in the regional economic development process, partnership ensures that a "bottom-up" approach in the policy process is implemented and that those actors able to contribute most are involved at all stages. The Committee welcomes the strengthening of the operation of partnership set out in the Draft Regulation. It is still the case that some Member States are giving only superficial recognition to Partnership, and the Commission's proposed reforms will go far in confirming Partnership as an essential element in the regional development process which the Member States must observe in full.

The Economic and Social Committee welcomes the focus on employment creation implicit in the Draft Regulation. This is consistent with the employment objectives included within the Treaty as amended by the Amsterdam Council. The Structural Funds represent a key element in job creation across the EU, both directly - in their support for the development of productive enterprise - and indirectly - as the Funds finance the development of essential economic infrastructure including training and skill enhancement. However, the Committee stresses that general employment policy remains principally a competence of the Member States, and the application of the Structural Funds must continue primarily to be directed to eliminating economic and employment underdevelopment in the lagging regions and promoting socio-economic change in the declining industrial regions. By establishing the conditions for self-sustaining economic growth in these regions, the Structural Funds are directly contributing to employment stability across the EU over the longer term.

The Economic and Social Committee urges that the debate over the Commission's Draft Regulations is conducted speedily to ensure that the new arrangements are agreed in time for their introduction from 1 January 2000. Any delay in reaching a common position which jeopardises the smooth transition from the current to the new Regulations is likely to interrupt the economic development process in the disadvantaged regions, with adverse consequences for that process. The benefits accruing from the simplified administration of the revised Structural Funds will be compromised considerably should there be any delay in the implementation of the new arrangements.

## **15. EUROPEAN SPATIAL DEVELOPMENT PERSPECTIVE (ESDP) - First official draft** *(Own-initiative)*

**Opinion of the Economic and Social Committee on the *European Spatial Development Perspective (ESDP)* - first official draft**

(CES 1131/98)

Rapporteur: Bernard BOUSSAT (France - Employers)

### **Purpose of the opinion and gist of the ESDP document**

At the informal meeting of ministers responsible for regional development held in Liège in 1993 under the Belgian Presidency, the Member States decided to draw up a perspective for developing the European spatial area, in order to provide a focus for European spatial development policy.

An initial document entitled principles for a European spatial development policy was adopted at the informal meeting held in Leipzig in 1994. This document lays down the general criteria and guidelines for drafting the perspective and is based on a Commission Communication, submitted the same year, entitled Europe 2000+ - cooperation for European territorial development, on which the Committee issued opinions in March and September 1995.

The Spatial Development Committee, via an inter-governmental working group comprising representatives of the Member States and the Commission, drew up a first official draft perspective for developing the Community area and submitted it to an informal meeting of the competent ministers in Noordwijk on 9 and 10 June 1997.

The presidency's conclusions on this occasion stress the importance of the draft firstly as a basis for political discussion on how, in accordance with the practical objectives set in Leipzig, European spatial policy can contribute to the integration of cohesion, sustainability and global competitiveness and act as a framework for strengthening the links between policies aimed at urban and rural areas.

These conclusions also state that the draft must be discussed widely at political level, not only within

and between Member States, but also between the Commission and the other EU institutions, including the ESC. This discussion should also form the basis for drawing up a formal document on the ESDP which should be finalized in mid-1999 under the German presidency.

At the section meeting on 21 October 1997, the Luxembourg presidency reaffirmed its wish that the Committee be involved in discussion on this matter. The UK presidency reiterated this wish at the section meeting on 17 January 1998.

The ESDP document is a policy paper which takes an indicative rather than prescriptive approach, and will be regularly updated. It is designed to provide a framework for a spatial integration that takes account of the various tiers of political and spatial organization within the EU, and will pursue three equally important fundamental goals: (i) economic and social cohesion, (ii) sustainable development, and (iii) balanced competitiveness of the EU area.

The document has four parts:

**Part I** describes the background, the policy goals, the policy approach adopted and the status of the ESDP.

**Part II** examines the forces driving the EU's long term spatial development. It presents a view of EU geographic, demographic, economic, social and environmental trends, a list of spatial issues of European significance and a preliminary assessment of the impact of Community sectoral policies on the EU area.

The thematic analyses are summarized in terms of strengths, weaknesses, opportunities and threats associated with each spatial issue. A number of spatial criteria are then put forward for making a more solid comparative review of these issues.

**Part III** presents a limited number of policy aims and options for addressing these issues. There are three main aims:

- to promote a more balanced and polycentric system of cities;
- to provide equal access to infrastructure and knowledge;
- to encourage more prudent management of the EU's natural and cultural heritage.

**Part III** also proposes an initial framework, methodology and process for drawing up an integrated EU spatial development policy. Transnational cooperation is given a prominent role in turning the policy aims and options into spatial development strategies.

**Part IV** deals with the further development and implementation of the ESDP. This final part is designed to launch a broad political debate on policy options and methodology, and to ease the transition from the "first official draft" of the ESDP to the "first official ESDP".

As envisaged in Leipzig, ministers at Noodwijk also renewed their support in principle for the establishment of a European Spatial Planning Observatory Network (ESPON) to provide the scientific and technical base for the implementation and periodic review of the ESDP.

The informal meeting of spatial planning ministers in Echternach in December 1997 examined a draft of the terms of reference, organization, funding and launch of the ESPON.

The presidency conclusions confirmed the idea of setting up the ESPON. There would first be a two-year pilot stage (1998-99) that should:

- help to finalize the ESDP in 1999, following the broad debate in the Member States and at EU level;
- define the institutional, legal and financial conditions needed to set up the ESPON;
- launch an ESDP-related study programme, to be conducted by a network of specialist institutes in the Member States; the programme would be put forward by the Commission, in consultation with the Member States, and would receive 50% funding from the Commission under ERDF Article 10.

### **Gist of the opinion**

The Committee welcomes the first official draft of the ESDP as a contribution to the framing and implementation of a coherent EU spatial planning strategy. The Committee has repeatedly advocated such a strategy, as an important precondition for sustainable development.

However, the Committee greatly regrets that the socio-economic organizations were not involved in

the preparation of the draft, contrary to the recommendations of earlier Committee opinions on the subject. The Committee feels that this raises questions about the shortcomings of the intergovernmental approach, and calls for a review of the case for bringing spatial planning within the Community remit.

The Committee sets out the reasons why it is vital that the socio-economic partners, at all geographical levels, be more closely involved in the framing and implementation of spatial planning decisions. With this aim in mind, the Committee puts forward a number of recommendations.

The Committee approves the underlying aims of the ESDP, but regrets the failure to recognize that quality of life is an underlying aim of any spatial initiative.

The Committee feels that a detailed analysis of the document would be premature at this stage, as the draft will undergo major modifications before it is finalized in mid-1999. However, the Committee is sorry that the document does not base any analysis

on the main regional divisions and does not address the specific problems of the EU's upland, outermost and island regions.

The Committee looks at four further issues:

- the interplay between spatial planning policy and Community policies. Here the Committee highlights certain shortcomings in the draft, such as the failure to analyse the impact of employment policies on the EU's spatial cohesion;
- the priority need to analyse the spatial perspectives of enlargement, in view of the additional spatial problems which enlargement will entail for both new and existing Member States and at the EU's borders;
- the urgent need to establish a European Spatial Planning Observatory Network. Here the Committee also sets out its ideas on the role of the network;
- the question of partnership in the implementation of the ESDP, more especially in the framing and implementation of Interreg programmes.

<p style="text-align: center;"><b>Section for Transport and Communications</b> Luigi Del Bino, Head of Division - ☎ (32-2) 546 9353</p>
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## **16. GREEN PAPER - SEA PORTS AND MARITIME INFRASTRUCTURE**

**Opinion of the Economic and Social Committee**  
on the *Green Paper on Sea Ports and Maritime Infrastructure*  
(COM(97) 678 final)

(CES 1132/98)

Rapporteur: Lars Olof KRITZ (Sweden - Employers)

### **Gist of the Commission document**

Sea ports are vital to the European Union both in terms of trade and transport. Europe's competitiveness in the global economy

increasingly depends on an efficient and cost effective transport and port system. The Community's port sector handles more than 90% of the Union's trade with third countries and approximately 30% of intra-EU traffic, as well as facilitating the movement of more than 200 million passengers every year. Moreover, ports are also important centres of regional, economic and social development and act as essential interface between seaborne and land-based modes of transport.

The completion of the internal market, technology changes in the transport sector and the ongoing development of inland transport networks across Europe have intensified competition significantly among ports. As a result, ports in different Member States are now, more than ever before,



competing for trade. In the past, ports have tended to remain on the sidelines of the EU's policy debate. The Commission feels the time has now come to redress this situation, and to focus on the key issues relating to ports in today's competitive environment.

The purpose of this paper is therefore to launch a wide ranging debate on individual port issues and possible future policies which should help to increase port efficiency and improve port and maritime infrastructure by integrating ports into the multimodal trans-European network and which should also meet the Community's responsibilities under the Treaty to ensure free and fair competition in the port sector. The Commission suggests a number of possible measures which can be applied in the context of existing policies, and identifies other policy areas, in particular in the fields of port charging and market access, in which new initiatives should be considered.

#### **Gist of the Opinion**

The Committee endorses the Green Paper's principle objectives in respect of a Community sea ports policy, i.e. to help increase port efficiency, to improve port and maritime infrastructure by integrating ports in the TENs, and to ensure free and fair competition in the port sector.

The Committee does, however, make a number of observations, pointing out that:

- competition between ports is achieved not only by what is done by the ports themselves, but also by the development of road, rail and inland waterways connections with the hinterlands. In the view of the Committee, these aspects have often been overlooked;
- it is essential that a Community sea ports policy is based on the notion that ports are commercial enterprises, working in a market economy and applying the user-pays principle;
- when a Community policy is to be developed for the port sector, all aspects and views have to be taken into account. Not least the social consequences of the proposed measures have to be considered. The Committee would therefore welcome a joint/sectoral committee for sea ports as a forum for an organized dialogue between the social partners;

- the Committee considers that clear rules on state aid and a strict application of the competition rules in Articles 85 and 86 of the Treaty should be sufficient means to cope with the problems of unfair competition, abuse of a dominant position and discrimination between users;
- as regards market access to port services the Committee fully supports the Commission proposal, but recognizes that the principle of free market access cannot be applied everywhere, because of the heterogeneous nature of these services and the diverse nature of ports especially in terms of size and function;
- the Committee finds it essential that a Community sea ports policy also takes into account the employment dimension in order to secure and create skilled jobs. The Committee underlines that the relevant ILO Conventions must be reflected in future policies regarding sea ports. The Committee recommends the Commission to take initiatives for cooperation with the Member States with a view to ratifying and implementing ILO Conventions.

#### **17. IMPLEMENTATION OF THE HELSINKI DECLARATION (*Own-initiative*)**

**Opinion of the Economic and Social Committee**  
*on the implementation of the Helsinki declaration - establishing concrete machinery for consulting the economic and social interest groups on the definition of a pan-European transport policy*

(CES 1133/98)

Rapporteur: Eike EULEN (Germany - Workers)

#### **Aim of the opinion**

In its initiative opinion drawn up on the eve of the Helsinki pan-European conference on transport in June 1997, the Committee gave considerable thought to the possibility of consultation machinery on pan-European transport policy.

At the instigation of the Committee and its members, the Helsinki declaration endorsed the principle of consulting socio-economic groups, which has been enshrined in the ten basic

principles of future pan-European cooperation on transport policy and which can now be applied within a specific objective.

When the pan-European networks were being planned, management committees were established for each corridor and are working to define the associated concept of the transport zone. These bodies currently comprise only representatives of governments and administrations. The socio-economic interest groups should also be involved.

The bodies could also cooperate with them and for cooperation outside the EU they would be the equivalent of the ESC Transport Section within the EU. Joint consultations could be held subsequently. This would make it possible to deepen the debate and to increase transparency for the economic and social interest groups.

The present own-initiative opinion looks in particular at the possible shape of consultation machinery as part of the pan-European transport policy and more generally it will discuss concrete implementation of the Helsinki declaration.

#### **Gist of the opinion**

The opinion focuses on concrete proposals on how to begin making consultations with socio-economic interest groups a reality and looks at what flexible structures might be needed to ensure the continuity and implementation of this process. These proposals were also discussed in a series of briefings and a written survey of representatives from central and eastern Europe. The findings have been consistently incorporated into the opinion.

The results revealed unanimous support for the proposed implementation measures. Responses to the questionnaire expressed a clear vote in favour of using coordinators to organize the involvement of socio-economic interest groups in corridors and transport areas

After reviewing the ten priority transport corridors defined in the annex to the Helsinki declaration and their cooperation structures, the Committee turns its attention to the practical implementation of mechanisms for the consultation of socio-economic interest groups along corridors and in transport areas.

The current working arrangements basically follow two approaches: enabling (a) planning consultations on transport routing, access links and transport "nodes" bearing in mind the economic and industrial regions to be served by the corridors, and, (b), thematic or project-related consultations on the further development of organizational and operational procedures, service quality and aspects relating to technical harmonization and the coordination of legislation and regulations.

Although the corridor routes are largely fixed, specific decisions still have to be taken on extending their terminal points and on feeder lines. Extensive planning consultations could be held at least once and be convened by the official competent coordinator concerned or the steering committees. They can then be followed-up at appropriate intervals as a back-up mechanism for continued developments, particularly where route changes, intermodal "nodes" and other route branching plans are involved.

Consultations as part of moves to optimize smooth transport operations should be initiated by the appropriate coordinators or by the steering committees of the corridors concerned. The aim should be fundamentally to ensure transparency and support for the work, or it may also be to adopt a joint approach when tackling specific new problems, such as the introduction of a particular new technology.

One serious hurdle of course is the question of who is responsible for what, coupled with issues of finance and work pressures occasioned by the staging of such consultative meetings. But the three pan-European transport conferences held to date have had a considerable effect, creating a basis for a forward-looking, pan-European transport policy. Less in the public eye is the informal committee, known as the steering committee, which has been coordinating activities since 1991 and has been a decisive factor in the success of the whole enterprise. The steering committee, which cut across traditional political hierarchies and competences, has brought the main European institutions and representatives of economic and social organizations around one table, with the increasing participation of the CEEC.

This informal and open form of cooperation has borne fruit in the past and, for the ESC and the

Parliament, has been a novel means through which to bring their own impetus to bear in the process of formulating transport policy on a pan-European level. The work of the steering committee has now been discontinued, leaving a gap which cannot be filled by existing bodies and which represents a distinct loss. Even today, just a year on from the Helsinki conference, the ESC perceives a steady erosion of transparency about the supposed remit of the monitoring process. As can be seen from some individual cases that have come to light, the principles of the Helsinki declaration are once again having to be arduously worked into the final declarations of relevant regional and sectoral conferences today

The ESC feels that the need remains for coordination at pan-European level which ensures transparency and helps coordinate individual activities. Transport Commissioner Kinnock himself stressed the need for a continuous process of reporting, updating and clarifying the development process when the Helsinki declaration is being implemented; the trade unions and employers, and their relevant organizations, had to be satisfactorily integrated into this process, he said. In this connection, he referred to plans to refocus the G24 transport working group as the basis for future, practice-led discussion and coordination. The Committee is keen to play an appropriate part in coordination of this kind.

An interim meeting in June 1998 of the Section for Transport and Communications with representatives of the Commission, ECMT and EP revealed that these institutions fully support the approach put forward in the present ESC opinion.

Renewed efforts should be made to increase transparency in the implementation of the Helsinki declaration. There is support for the role of the ESC in this process as regards the consultative mechanisms involving all interested parties.

Over the past few years, the Committee has made intensive efforts to integrate participation and structured dialogue among the socio-economic interest groups into pan-European cooperation on transport policy. As part of the forthcoming monitoring process too, the Committee is determined to work for the continuity and further development of the activities carried out to date. It remains ready to play an active role in this process.

## 18. OPERATION OF RO-RO FERRIES

**Opinion of the Economic and Social Committee**  
on the *proposal for a Council Directive on conditions for the operation of regular ro-ro ferry and high-speed passenger craft services in the Community*  
(COM(1998) 71 final - 98/0064 SYN)

(CES 1134/98 - 98/0064 SYN)

Rapporteur: Eduardo CHAGAS (Portugal - Workers)

### Gist of the Commission document

The International Maritime Organization (IMO) lays down the basic safety rules governing maritime transport at international level. Following the tragic sinking of the "Estonia" with the loss of 852 lives in 1994, the Council of Transport Ministers called upon the EC Commission to put forward a number of proposals to ensure that passengers on vessels travelling to and from EU ports were assured that the highest possible safety standards were observed.

The present proposal follows on from (a) the legislation adopted by the Council in 1995 making it mandatory for ro-ro ferries to observe the International Safety Management Code (ISM) and (b) the proposal for a Directive introducing a system of mandatory registration of the passengers travelling on vessels. The present proposal seeks to:

- ensure a higher degree of harmonization of the way in which international safety rules are interpreted;
- guarantee effective implementation of these rules and of the relevant EU legislation;
- ensure transparency as regards the conditions to be met by enterprises operating regular services by ro-ro ferries and high-speed passenger craft to and from ports in EU Member States; this transparency should apply to all the parties concerned, including host-state and flag-state administrations.

The proposal for a directive thus lays down common safety rules for all the vessels concerned, irrespective of the flag flown. Under the proposal

operators of vessels have to meet a series of strict safety conditions concerning vessels and their equipment before regular services may be started. Vessels will also have to be equipped with Voyage Data Recorders (VDR), the equivalent of the black boxes used on aircraft to record data for use in the event of an accident. Companies will have to ensure that the masters of vessels are provided with appropriate information on the availability of shore-based navigational guidance systems and other information schemes which may assist them.

The proposal also makes provision for: a system of verifying and checking compliance with all the conditions laid down, including operating conditions, before vessels enter service and at regular intervals thereafter. Under the proposal the right of host Member States to take part in any maritime accident investigation is assured.

#### **Gist of the opinion**

The proposal is welcomed as a positive measure to aid the safety of passengers travelling to and from Community ports and seafarers serving on those vessels and craft.

The concept of an expanded mandatory survey regime appears to be a satisfactory way of achieving the objective, given the differing nature of employment between Member States due to diversity of vessel type and location of principal routes. While appreciating the need to be consistent with international law and IMO Conventions, Codes and resolutions, such a regime is desirable. It is noted that the Commission gave consideration to restricting the right to operate public transport to EC operators. While this would have simplified the regulatory process via the direct application of EC law it was considered by the Commission to be contrary to its open markets policy.

The alternative option, taking heed of the internal market and open markets policy, will only prove effective with regard to internationally agreed rules and principles if there are satisfactory mechanisms for inspection and enforcement. In this context the concept of "host state" is appropriate but necessitates additional requirements, obligations and responsibilities and involves all such vessels and craft, otherwise it would be no different from the "port state".

Additional requirements that are designed to improve safety need to be both transparent and tangible so as to engender public confidence. Public confidence, in order to be gained and maintained, requires a consistent pro-active approach throughout the Community.

The concept of an efficient and effective accident investigative procedure that involves Member States whose ports such vessels and craft sail to and from, in addition to flag involvement and/or port state, is both desirable and essential as a means of reassuring citizens of those States as to the conduct of investigations.

#### **19. RESTRICTIONS/HEAVY GOODS VEHICLES**

**Opinion of the Economic and Social Committee**  
*on the proposal for a Council Directive on a transparent system of harmonized rules for restrictions on heavy goods vehicles involved in international transport on designated roads*  
(COM(1998) 115 final - 98/0096 SYN)

(CES 1135/98 - 98/0096 SYN)

Rapporteur: George WRIGHT (United Kingdom - Workers)

#### **Gist of Commission document**

Current confusion in driving bans often results in journeys being concentrated on a limited number of days which increases risks of accident, causes congestion and damages the environment - contradicting the very aim of a lorry ban.

The aim of the Commission's proposal is to harmonize rules at EU level so that hauliers may make the best use of logistical planning tools for their international transport operations. The bans, where adopted, only apply to a limited network of major international roads - the TransEuropean road Network. On all other roads, and for all non-international traffic, Member States will continue to have the right to set whatever driving bans they wish.

The Commission therefore proposes for Member States that wish to have driving restrictions:

- a harmonization on the TENs road network of the time period i.e. Sunday 7 a.m. to 10 p.m.

(midnight in summer) in which restriction on international transport may be applied;

- a harmonization of the type of vehicles and transport operations exempt from driving bans;
- a system of notification: the Commission, on the basis of information provided by Member States will publish an annual report on bans for the forthcoming year.

Driving bans on trucks which exceed EU noise standards can also be imposed at night (between 10 p.m. and 5 a.m.). A series of derogations is foreseen for exceptional circumstances where bans are justified.

A Member State may extend the bans on parts of the TENs network if it can justify the need on objective environmental, safety or social grounds. A Committee procedure has been created to examine such requests and there is a guarantee that the Commission will deal with all such requests within two months.

#### **Gist of the opinion**

The Committee supports in principle the harmonized restrictions proposed in the Directive but has some reservations as to the effectiveness of the system by which they will be applied. Furthermore, the Committee would draw attention to the fact that, as currently proposed, the intention to harmonise the voluntary restrictions on HGV driving on the TENS network will, in all probability, only be applied by the seven Member States currently operating some form of driving restrictions. The Committee do not believe this is consistent with the long term objective of creating a "level playing field" throughout the Community for the road haulage industry. Recognising the practical difficulties involved and the lack of convincing data on the effects of driving restrictions, the Committee suggest the proposed Directive should be regarded as a first step towards achieving a genuinely harmonised, Community-wide position regarding the desirability or otherwise of driving restrictions on HGV traffic.

## **20. ROADSIDE INSPECTION OF COMMERCIAL VEHICLES**

**Opinion of the Economic and Social Committee on the *Proposal for a Council Directive on the roadside inspection of the roadworthiness condition of commercial vehicles that circulate on the roads of the European Community***  
(COM(1998) 117 final - 98/0097 SYN)

(CES 1136/98 - 98/0097 SYN)

Rapporteur: Michael KUBENZ (Germany - Employers)

#### **Gist of Commission document**

The adoption of Directive 96/96/EC has already ensured that commercial road vehicles must pass annual roadworthiness inspections in testing centres. However, given the increasing international nature of commercial vehicle operation, and that many of the heaviest vehicles travelling 150 000km/year or more, an annual inspection is unlikely to provide sufficient guarantees that commercial vehicles maintain an acceptable standard of maintenance throughout the year.

Clearly, it is in the interests of road safety, environmental protection and fair competition that all vehicles are only operated if they are maintained to a high degree of roadworthiness.

The proposal requires Member States to supplement the annual roadworthiness test with random inspections of a representative proportion of the commercial vehicle fleet on their roads each year. These inspections can be carried out at the roadside, at ports, at other locations where vehicles are parked or, more frequently in the case of Public Service Vehicles (PSVs), at operators' premises.

This proposal prescribes a three-stage approach to roadside inspection:

- a) The first stage is the visual inspection by a trained vehicle examiner of the maintenance condition of the vehicle passing on the road.

- b) The second stage involves a cursory inspection of the stationary vehicle, which includes a check on roadworthiness documentation (i.e. proof that the vehicle had undergone its statutory roadworthiness test).
- c) The vehicle is examined at the roadside for maintenance irregularities such as: excessive smoke, bald or damaged tyres, inoperable lights and signalling devices, speed limiter malfunction and, as far as is practical, inadequate braking.

If, following the roadworthiness inspection the vehicle does not comply with the standard, and is considered to present a serious risk to its occupants or other road users, the vehicle may be banned immediately from use on the public roads.

#### **Gist of the opinion**

The Committee takes the view that, provided that it is applied on a non-discriminatory basis, the draft directive constitutes a step in improving the roadworthiness and environmental-compatibility of heavy commercial vehicles.

The Committee also proposes a series of amendments to the draft directive: it puts forward a stage-by-stage approach to make the inspections as effective and easy to implement as possible (Article 3) and it suggests measures for simplifying and bolstering the check-list defined in Annex 1 of the Commission document.

#### **21. LEGAL SEPARATION / TELECOMMUNICATIONS AND CABLE TV NETWORKS**

**Opinion of the Economic and Social Committee on the *Draft Commission Directive amending Directive 90/388/EEC in order to ensure that telecommunications networks and cable TV networks owned by a single operator are separate legal entities***  
(SEC(97) 2390 final)

(CES 1137/98)

Rapporteur-General: Alexander-Michael von SCHWERIN (Germany - Workers)

#### **Gist of the Commission document**

Under Commission Directive 90/388/EC of 28 June 1990 on competition in the markets for telecommunications services, as amended by Directive 95/51/EC and lastly by Directive 96/19/EC, the Member States were required to lift special and exclusive rights for telecommunications services and infrastructures by 1 January 1998, subject to additional transition periods for some Member States.

The third paragraph of Article 2 of Directive 95/51/EC required the Commission to carry out, before 1 January 1998, an overall assessment of the impact, in relation to the aims of that Directive, of the joint provision of cable TV networks and public telecommunications networks through a single operator.

This Directive is based on the assessment carried out by the Commission as required by the aforementioned Article 2. In preparing that assessment, two studies were commissioned on the competition implications in telecommunications and multimedia markets of, on the one hand, joint provision of cable and telecommunications networks by a single dominant operator and, on the other, restrictions on the use of telecommunications networks for the provision of cable TV services. The studies concluded in particular that the joint ownership of telecommunications networks and cable TV networks by a single enterprise, without a high degree of competition in the local access markets, slows down the development towards a full multimedia infrastructure to the detriment of consumers, service providers and the European economy as a whole.

#### **Gist of the opinion**

The Committee welcomes the Commission's aim of promoting growth and job creation by taking regulatory action at European level. A regulatory framework extending to the cable sector, too, will play a decisive role with regard to safeguarding and strengthening European firms' ability to innovate and also with regard to employment and future working and living conditions in Europe.

In view of existing legal provisions, the Committee feels that the proposed directive does not

adequately serve these aims. It leaves a number of questions open with regard to the principle of proportionality, and creates - at least in part - legal uncertainty.

## **22. EXAMINATION / SAFETY ADVISERS**

**Opinion of the Economic and Social Committee**  
*on the Proposal for a Council Directive on the harmonization of examination requirements for safety advisers for the transport of dangerous goods by road, rail or inland waterway*  
(COM(98) 174 final - 98/0106 SYN)

(CES 1138/98 - 98/0106 SYN)

Rapporteur: Helmut GIESECKE (Germany - Employers)

### **Gist of the Commission document**

Under Directive 96/35/EC, all companies whose activity includes the transport of dangerous goods by road, rail or inland waterway, including loading or unloading connected with such transport, are obliged to appoint one or more safety advisers. The task of the safety advisers is to reduce as far as possible the risks to persons, property and the environment arising from the transport of dangerous goods, on the basis of the principle of prevention.

The professional competence of the safety adviser is to be ensured by special training and approved by a certificate, after passing of an examination. However, as Directive 96/35/EC does not contain any detailed provisions on the harmonization of examination requirements, it is noted that examination requirements and levels are different in all Member States.

This proposal aims to harmonize regulations in the Member States concerning the examination of safety advisers for the transport of dangerous goods by road, rail or inland waterway.

The proposed directive would serve to guarantee a uniform and high standard of training of safety advisers and would be a further step toward ensuring the safe transport of dangerous goods. Such a measure is also necessary because the EC training certificate awarded to safety advisers will be recognized by all Member States.

The proposed directive would also have a favourable effect with regard to competition between companies affected by the measure. The Commission wishes to ensure that the quality of training of safety advisers is not undermined in relation to the transport of dangerous goods, an area of particular sensitivity for transport safety and environmental protection.

### **Gist of the opinion**

The Committee welcomes the Commission proposal in that it furthers implementation of Directive 96/35/EC and thus contributes to further improvements in the safe transport of dangerous goods. Harmonized regulations may also ensure that safety advisers do not shop around between the Member States to take advantage of less stringent examination conditions.

The Committee does, however, make a number of proposals concerning specific aspects of the draft directive. It proposes, inter alia, that:

- the Member States adopt by 1 January 1999 the legal provisions necessary to comply with the draft directive;
- rules be added in respect of the duration of the examination, the number of questions and the documents which may be consulted during the examination.

## **23. FINANCIAL AID / TEN**

**Opinion of the Economic and Social Committee**  
*on the proposal for a Council Regulation (EC) amending Regulation (EC) No. 2236/95 laying down general rules for the granting of Community financial aid in the field of trans-European networks*  
(COM(98) 172 final - 98/0101 SYN)

(CES 1139/98 - 98/0101 SYN)

Rapporteur: Francis J. WHITWORTH (United Kingdom - Employers)

### **Gist of the Commission document**

The development of the trans-European networks (TEN) remains a priority for the Union. Their importance was first acknowledged in the

Maastricht Treaty by the insertion of a specific section devoted to the subject. Then the Commission identified them in its 1993 "White Paper" as one of the key instruments for encouraging growth, competitiveness and employment. More recently, "Agenda 2000" has reaffirmed their importance and their priority.

In 1995 the Council adopted Regulation 2236/95 for the granting of financial assistance to TEN projects. The Regulation set out a financial envelope of ECU 2.345 million for the period 1995-1999. Article 19 of Regulation 2236/95 calls for revision to be considered before the end of 1999.

The current proposal is therefore intended to revise Regulation 2236/95. The amendments proposed may be summarised as follows :

- the development of a multiannual approach to financing and budgeting;
- 100% financing of studies of a strategic nature undertaken on the Commission's initiative;
- the removal of the five-year limitation on interest rate subsidies;
- Community support for risk-capital ventures;
- maximising the multiplier effect of Community resources by promoting private financing;
- increasing to 20% the 10% limit on Community aid for projects of exceptional trans-European interest.

A number of other relatively minor changes are proposed, the most noticeable of which is a requirement for the erection of display panels when Community aid is provided for infrastructure projects.

The Commission notes that the revision by the Treaty of Amsterdam of Article 129c (now Article 155) which will permit Community aid for projects supported (but not necessarily financed) by Member States will necessitate further amendments to the Regulation when the Treaty enters into force.

#### **Gist of the opinion**

As a matter of principle the Committee welcomes the continuing examination of the working of

Regulations such as No. 2236/95 so as to ensure that they are improved in the light of experience and are effectively meeting the objectives for which they were designed.

The Committee fully endorses the Commission's proposals which it believes to be consistent with the more effective deployment of Community financial aid targeted specifically towards those areas where it can be instrumental in stimulating the development of both strategic and risk-capital projects and encouraging recourse to public-private partnerships.

In this strategic area the Committee attaches particular importance to the proposed revision of Article 4.1 (a) which will permit the Commission to finance 100% studies of an overall strategic nature undertaken at its own initiative. The Committee believes that the initiation of such studies should be a first priority for the Commission following the revision of the Regulation.

The Committee warmly welcomes the substantially increased financial provision for the years 2000 to 2006, especially in the field of transport, and hopes that this will be instrumental in furthering the development and completion of TENs projects at an increasing pace.

The Committee notes that the changes to the appraisal, monitoring and evaluation process prescribed by Article 15 are in themselves quite minor but believes that it is particularly important to ensure that projects which attract Community financial aid are carried to a successful conclusion and achieve the objectives which justified the granting of Community funds.

Lastly, the Committee notes the Commission's statement that the Regulation, even as it stands at present, permits the financing of links with third countries. It welcomes the suggestion that, with a view to enlargement, these provisions should now be used more fully and believes that they are particularly relevant to implementation in the 10 corridors of the EU countries of the infrastructure projects laid down by the Pan-European Transport Conferences.



**Section for Energy, Nuclear Questions and Research**  
Nemesio Martinez, Principal Administrator - ☎ (32-2) 546 9794

**24. FIFTH FRAMEWORK PROGRAMME FOR  
RTD (1998-2002) - SPECIFIC PROGRAMME**

**Opinion of the Economic and Social Committee**  
on the Commission working paper on the specific  
programmes: Starting points for discussion "*fifth  
framework programme for research and  
technological development (1998-2002)*"

*Proposals for Council decisions concerning the  
specific programmes implementing the fifth  
framework programme of the European  
Community for research, technological  
development and demonstration activities (1998-  
2002)*

*Proposals for Council decisions concerning the  
specific programmes implementing the fifth  
framework programme of the European Atomic  
Energy Community for research and training  
activities (1998-2002)*

(COM(97) 553 final)

(COM(98) 305 final - 98/0177 CNS to 98/0184  
CNS)

(COM(98) 306 final - 98/0187 CNS to 98/0188  
CNS)

(CES 1140/98 - 98/0177 CNS to 98/0184 CNS -  
98/0187 CNS to 98/0188 CNS)

Rapporteur:

Giannino BERNABEI (Italy - Employers)

Co-Rapporteurs:

Giacomina CASSINA (Italy - Workers)

Sergio COLOMBO (Italy - Workers)

Bernardo HERNÁNDEZ BATALLER (Spain -  
Various Interests)

John LYONS (United Kingdom - Workers)

Henri MALOSSE (France - Employers)

Peter MORGAN (United Kingdom - Employers)

Staffan Mats Wilhelm NILSSON (Sweden -  
Various Interests)

**Gist of the Commission communication**

In November 1997 the Commission decided to  
consult the Economic and Social Committee on the  
Commission working paper on the specific  
programmes of the fifth framework programme for  
research and technological developments (1998-  
2002).

The Economic and Social Committee was  
previously consulted in 1996 on the  
*communication from the Commission "Inventing  
tomorrow - Europe's research at the service of its  
people"* and again in 1997 on the *Commission  
working paper "Towards the fifth framework  
programme - scientific and technological  
objectives"* and the proposal concerning the "*Fifth  
framework programme of the European  
Community for research, technological  
development and demonstration activities (1998-  
2002)*". Furthermore the ESC produced an  
additional opinion in 1997 on the "*Fifth  
framework programme - financial allocations*",  
and an own-initiative opinion on the "*Impact on  
SMEs of the reduction in funds allocated to RTD  
in the EU*". In 1998 the Committee adopted its  
opinion on the "*Rules for the participation of  
undertakings, research centres and universities  
and for dissemination of research results fifth RTD  
framework programme*". An opinion linked  
indirectly to the fifth RTD framework programme  
on "*Ways and means of strengthening the networks  
for the provision of information on and  
exploitation of applied RTD programmes in  
Europe*" is being drawn up.

The programmes of which the new framework  
programme is composed are characterised by:

- the targeting of activities on major EU policy  
objectives, e.g. employment, quality of life,  
competitiveness;
- concentration on limited number of themes so  
as to maximize impact.

The fifth framework programme is divided into  
nine programmes, comprising four specific  
programmes, three specific horizontal  
programmes, one specific programme for the fifth  
RTD framework programme Euratom and one  
specific programme for the Joint Research Centre.  
The programmes consist of key actions  
supplemented by generic research and support for  
research infrastructures.

**Programme I, "Quality of life and management  
of living resources"**, covers mainly health and  
agriculture.

The aim is to link the ability to discover to the ability to produce, in order to address the needs of society and to meet the requirements of the consumer, leading to future wealth and job creation and respecting the principles of sustainable development.

**Key actions:** Five priority key actions have been identified: health and food; control of viral and other infectious diseases; the "cell factory"; integrated development of rural and coastal areas; the ageing population.

**Programme II, "User-friendly information society",** reflects the convergence information, communication and audiovisual technologies. The strategic objectives of this programme are to realize the benefits of the information society for Europe both by accelerating its emergence and by ensuring that the needs of individuals and enterprises are met.

**Key actions:** systems and services for the citizen; new methods of work and electronic commerce; multimedia content and tools; essential technologies and infrastructures.

**Programme III, "Competitive and sustainable growth",** (industrial production, transport, and sustainability). Competitiveness and sustainability are the keys to the long-term future of the Union's economy. This programme must respond to future industrial challenges. It must not target the needs of a specific sector, but aim to improve the performance of European production and transport systems.

**Key actions:** products, processes and organization; sustainable mobility and intermodality; new perspectives for aeronautics; marine technologies.

**Programme IV, "Preserving the eco-system".** This programme is new since the fourth RTD framework programme, combining environment and sustainable development, and energy. Its aim is to meet a wide range of social and economic needs, to reconcile economic development with protection of the environment, to create new markets and ensure reliable and competitive energy supplies.

**Key actions:** sustainable management and quality of water; global change, climate and biodiversity;

sustainable marine ecosystems; the city of tomorrow and cultural heritage; cleaner energy systems, including renewables; economic and efficient energy for a competitive Europe.

#### **Horizontal programmes:**

**Programme V, "Confirming the international role of community research".** The aim of this programme is to facilitate the access of the European entities participating in the framework programme both to the scientific and technological potential existing outside the Union, as well as to develop opportunities which exist in various regions of the world. **Specific Actions:** Research priorities should be identified through a strengthened dialogue with the regions concerned. In the implementation of this programme, the concerns of industry and in particular of SME's should be taken into account.

**Programme VI, "Promotion of innovation and encouragement of participation of SMEs".** The aim of this programme will be to help the European Union to establish a coherent innovation strategy, in particular with a view to implementing the "First action plan for innovation". In so doing it will have a two-fold task:

- firstly, coordinating and supporting actions targeted towards innovation, and the needs and participation of SME's carried out under the thematic programmes. The bulk of the efforts in this area would be carried out within these programmes, so as to take account of the specific features of the research topics and ensure the best possible match between the exploitation of results and their application context;
- secondly, implementing specific activities of a horizontal nature or with a specific content.

**Programme VII, "Improving the human research potential and the socio-economic knowledge base".** The aims of this programme are:

- to develop the Community's human research potential through training and mobility of researchers (including towards industry and in particular SMEs) so as to contribute, inter alia, to the creation of new jobs;

- to help make the Community an attractive location for researchers, to promote European research in the international arena and a European scientific and technological culture;
- to improve access to research infrastructures throughout Europe;
- to develop the socio-economic knowledge base for a better understanding of key social and economic topics linked to the objectives of the framework programme and for the development of science and technology policy and other Community policies.

The aim of the specific programme, "**Preserving the ecosystem: Euratom**", is to help exploit the full potential of nuclear energy by making current technologies even safer and more economical and by exploring promising new concepts.

**Key actions:** controlled thermonuclear fusion, nuclear fission.

**Specific programme, "Direct RTD Actions: JRC":** direct actions are one of the ways the fifth RTD framework programme of the EC and Euratom will be implemented. They are carried out by the JRC (Joint Research Centre). The aim of this programme is for Member States to be able to turn to such a body when important interests are at stake. The fifth framework programme should see the JRC focus its activities on areas where its European added value is fully exploited. The JRC's direct actions would fit fully into the fifth framework programme, tying in with the indirect actions and oriented along three lines: "Serving the citizen", "Enhancing sustainability" and "Underpinning European competitiveness". They would contribute to the objectives of the key actions and the activities for the research and development of generic technologies. Lastly, the JRC would use its position at the heart of Community research to lend its support to research infrastructures and its active assistance to collaborative networks.

#### Gist of the opinion

**The Committee recommends:**

- dedicating a substantially higher share of overall Community resources to the 5th

framework programme than that proposed by the Council in its common position;

- allocating the resources required by each key action to trigger the critical mass of global resources needed to solve complex problems in the short, medium and long term, on the basis of measurable objectives within fixed timeframes, concentrating and if necessary merging various key actions;
- launching effective technological and industrial assessment systems, trend charts for Community and national measurements to facilitate joint action, and a framework of performance indicators for monitoring programmes and key actions, in close collaboration with the key actions designed to improve the socio-economic basis;
- providing for efficient bottom-up advisory systems by backing up the European Advisory Group with up a network of national advisory groups for reference, monitoring and checking that the results conform to the strategic aims, not least to avoid the establishment of exclusive clubs;
- ensuring the integrated approach is efficient and transparent by means of forecasting units, innovation units and coordination units;
- specifying responsibilities for each key action, with clear and unambiguous management structures, by means of permanent platforms for dialogue and collation for the voluntary formation of clusters, centred on specific, set objectives within a given timeframe and with predetermined internal relationships;
- defining assessment criteria and procedures for proposals, in transparent, fixed, predefined and declared terms, sufficiently harmonized to facilitate straightforward access for all;
- providing for training in new skills for managing the wide variety of disciplines and sectors - applied, generic, basic and demonstration research must be founded on the principles of aggregation and simultaneous engineering - while taking account of SMEs,

end-users, and standardization, innovation and human resource development initiatives;

- launching **assessment initiatives**, particularly in the international field, to precede, accompany and follow projects in each region, with a view to **reaping practical benefits**, solving real common problems and making greater use of concerted action and joint initiatives;
- **implementing innovation and SME participation instruments**, by specifying the role of the innovation cells in coordinating each of the key actions, streamlining and simplifying management procedures and participation rules for SMEs and their support and representation bodies, promoting "intelligent" mediation networks with **benchmarking** for best practice, a mobility scheme for **researchers in companies** and the "enterprise in Europe" network, and enabling simplified cooperative research activities;
- gearing initiatives to **exploit human research potential** to match the key actions of the various thematic programmes, radically changing the direction of initiatives with a view to tightening the links, **integrating the academic world with industry** and also to developing new job profiles, linked more closely to the acquisition of new productive technologies;
- redirecting the Euratom programme towards a **greater emphasis on the key action on nuclear fission**, to ensure the safety of European nuclear plants, to review the orientation of its programme for nuclear waste disposal and improve the competitiveness of the European industry and continuing to support the fusion programme notwithstanding its current difficulties; and
- **specifying the new strategic role of the JCR, stepping up its brief** to provide scientific and technological support in defining, implementing and monitoring EU policies, from a position of independence and neutrality, to support the decision-making process in the institutions and to promote quality, standards and consumer protection measures, while focusing activities on a few areas of excellence

to guarantee a critical mass, a high profile and practical results.

**25. POLICIES FOR THE RATIONAL USE OF ENERGY (RUE) IN THE EUROPEAN UNION AND IN COUNTRIES WHICH ARE CANDIDATES FOR EARLY MEMBERSHIP**  
(Own-initiative)

**Opinion of the Economic and Social Committee on Policies for the rational use of energy (RUE) in the European Union and in countries which are candidates for early membership**

(CES 1141/98)

Rapporteur: Bernardo HERNÁNDEZ BATALLER  
(Spain - Various Interests)

**The purpose of this opinion is:**

- to analyse the economic and social implications of this process, more particularly its impact on environmental protection and job creation (reduced energy consumption through improved plant) and the possible role of the socio-economic players in raising the awareness of the EU public;
- to analyse Community and national instruments for promoting the rational use of energy and the impact of the latest technical and tax measures adopted by the Community to further this process;
- to ascertain the trend - overall and country by country - in energy-use efficiency in the light of the available data and the commitments entered into at the Kyoto climate change summit; on this basis a Community strategy can be developed to further promote RUE, specifying possible areas for action in the present Community and in an enlarged Community;
- to analyse the impact that the future framework programme of actions in the energy sector could have on RUE policies.

**Gist of the opinion**

The Committee recommends the establishment of a coordinated network of national committees in

each of the Member States, which should analyse the results of the various RUE programmes and propose corrective measures.

The Committee stresses the importance of coordinating the various EU programmes, in which the Member State committees should play a more active role.

The Committee feels that the transposition of directives should be encouraged. Specific regulations should be devised incorporating appropriate inspection and monitoring mechanisms from the outset.

The Committee favours the relaunch of general information campaigns, together with education for younger children, so that the public remains alert and insists on compliance with the regulations.

The Committee calls for demonstration projects and promotion of their results, especially in the candidate countries, with the involvement of equipment suppliers, so that these suppliers can consolidate and diversify their range, providing more efficient solutions and replacing imported equipment.

The Committee asks energy companies to pursue an active policy of reducing their own consumption and energy losses.

The Committee encourages the promotion of energy-saving supply schemes for distributing/marketing companies that can rival the proposals of energy-producing and importing companies.

The Committee calls for an analysis of the medium/long-term impact of reducing subsidies for certain energy products, and recommends the introduction of differentiated taxes in final energy prices.

## **26. MINIMUM STOCKS OF CRUDE OIL / PETROLEUM PRODUCTS**

**Opinion of the Economic and Social Committee on the Proposal for a Council Directive amending Directive 68/414/EEC imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products (COM(98) 221 final - 98/0137 CNS)**

(CES 1142/98 - 98/0137 CNS)

**Rapporteur:** Neville BEALE (United Kingdom - Employers)

### **Gist of the Commission document**

In 1992 the Economic and Social Committee was asked for an opinion on the supply of crude oil and petroleum products to the Community - a subject closely linked to the present proposal.

The Commission now proposes to change the stockholding mechanism as follows:

derogations from the stockholding obligation for Member States which produce their own petroleum (derogation ceiling: 25%) (new Article 1(2));

statistical reporting, including:

establishment of basic common rules for calculating domestic oil consumption (new Article 2);

simpler and more flexible conversion methods (new Article 5);

changes in the reporting deadline (new Article 4);

improvement of the administrative supervision of stocks (new Article 3):

Member States to have permanent access to stocks; transparent stockholding arrangements, ensuring a more precise identification of cost; stocks to be held totally or in large part under the responsibility or direct authority of the State (stockholding agencies or bodies);

- changes in the arrangements for stocks held in other Member States, with stock movements being reported to the Commission (new Article 6);

- a system for sanctions imposed by Member States on undertakings which do not respect legislation on security stocks (new Article 6b).

### **Gist of the opinion**

The Committee notes that there is general agreement on the need for a new stockholding Directive, given that in essence the present arrangements date back more than a quarter of a century.

The Committee approves the provisions of Article 1, particularly the increase from 15% to 25% in the derogation open to oil producing Member States. However, it believes that the 90 days stockholding obligation (increase from 65 days in 1972) should be kept under review.

Concerning the provisions of new Article 2, the Committee does not fully understand the logic of counting fuel for international aviation as inland consumption while excluding bunkers for seagoing vessels.

The Committee endorses the provisions of new Articles 3 and 4 regarding changes in the reporting deadline and improvement of the administrative supervision of stocks.

The Committee feels that Article 5 imposes unnecessarily complex reporting requirements where different categories of products are concerned. Finished products are to be reported by their actual tonnages.

Article 6 goes into some detail about the conditions under which a Member State may, by agreement, hold stocks on the territory of another. Such agreements offer flexibility and potential cost savings which must be welcomed. However, the Committee fails to understand why a Member State which does not wish to avail itself of such a facility should be under an obligation to explain the fact to the Commission.

Articles 6a) and 6b) of the new Directive make clear that it is the responsibility of Member States to ensure compliance with its provisions, although they must report regularly to the Commission which will, in turn, keep the Council informed.

## **27. ENERGY EFFICIENCY IN THE EUROPEAN COMMUNITY**

**Opinion of the Economic and Social Committee on the Communication from the Commission: *Energy efficiency in the European Community - Towards a strategy for the rational use of energy* (COM(98) 246 final)**

(CES 1143/98)

Rapporteur: Bernardo HERNÁNDEZ BATALLER  
(Spain - Various Interests)

### **Gist of the Commission communication**

The Commission emphasizes the need to relaunch efforts to improve energy efficiency, inter alia in the light of the Kyoto agreement.

The potential - mainly economic, but also societal and technical - for improving energy efficiency is being thwarted by various obstacles, imperfections and shortcomings (energy prices that do not reflect energy costs, inadequate information, and a variety of institutional, legal, technical and financial barriers).

The communication puts forward a number of measures to promote energy efficiency:

- Commission communications;
- Community programmes (Save, Joule-Thermie);
- framing and adoption of legislation on labelling;
- investment support from the Cohesion Fund and the ERDF, and promotion of energy efficiency in the context of international cooperation; the Commission stresses that coordination is inadequate, and that these measures need to be stepped up.

The Commission wishes to encourage development of the potential for greater energy efficiency as part of a wider strategy for rational energy use. This strategy must be backed by cooperation from all the relevant players in the EU, who should coordinate their action.

A greater effort must be made to promote energy efficiency in other policies, such as regional policy, transport policy (strategy for reducing CO<sub>2</sub> emissions), and scientific research and technological development policy (JRC and the fifth framework programme), and by internalizing external costs and by international commitments and cooperation to improve energy efficiency (international banks and agencies, CEEC etc.).

The Commission identifies the following priorities:

- action to encourage **energy-efficient buildings**. This includes initiatives under the SAVE programme, information schemes for the final customer, and a review of national standards;

- review of Council Directive 93/76/EEC regarding the limitation of CO<sub>2</sub> emissions;
- measures to encourage energy-efficient household appliances and other end-use equipment (extension of labelling, establishment of minimum efficiency requirements), so as to ensure rapid market penetration for energy-efficient equipment;
- wider use of negotiated and long-term agreements establishing minimum efficiency requirements for products and services in all sectors;
- better dissemination of information, particularly by means of labelling;
- recourse to new financing arrangements: third-party financing, guarantee of results and other creative financing schemes;
- promotion of energy efficiency in the electricity and gas sectors and in CHP, through rational planning, new high performance CHP installations, etc.;
- energy management and technology procurement (drafting of a directive on energy management, cooperative technology procurement to remove various types of technical barrier, etc.).

#### Gist of the opinion

Broadly speaking the Committee approves without reservation the Commission's initiative. Some of the Committee's proposals and recommendations are set out below. They are designed to serve as a basis for the future action plan which should include short-term actions.

These recommendations, while having different objectives, reinforce the views expressed by the ESC in its own-initiative opinion which puts forward some proposals for specific actions.

With regard to the "*potential savings*" table, besides specifying the methodology used, the same point of departure and time-scale (1990-2010) should be used as in the Kyoto agreements, as well as mentioning the potential reduction in gas emissions from attainable potential energy savings.

The Committee endorses the need to monitor both national and Community RUE programmes and the various directives and legal provisions, which should incorporate appropriate monitoring machinery from the outset. In the event that additional expenditure is required to carry on with

the impact assessment, this assessment should be performed by organizations which are independent of the bodies responsible for the programmes and should include possible improvements, even if they run counter to original intentions.

Coordination with the Member States and their programmes is also regarded as fundamental. In this connection an analysis of the national programmes mentioned in annex 2, both individually and comparatively, would have been very useful.

The setting-up of a forum within the energy advisory committee could be useful, but its terms of reference and powers would have to be clear so as not to create a talk-shop with little outside influence. As a first step, the action plan would have to be drawn up as a basic reference point.

The legal provisions on building should make a clear distinction between new buildings - and again between subsidized public housing and the private sector - and existing buildings. In the case of the latter, special conditions should be laid down for renovation in the historic core of cities.

Despite the fact that the transport sector programmes for reducing emissions and improving traffic involve an element of rational energy use, an action line should be introduced for this sector within the action plan since it is not mentioned in the communication.

Greater importance should be attached to raising the awareness of the public and energy users in general, so that they pay attention to the information contained on energy labels and demand specific information on the energy consumption of appliances throughout their useful life. The publicity campaigns should be well-run and evaluated, avoiding excessively general information and making use of the different communication media now available.

The action plan provided for in the communication will have to ensure that the process of liberalizing and deregulating the energy sector - which will benefit free competition and reduce costs - is carried out with an eye to its impact on the consumer and not only to maximizing profits in the short term. To this end, measures should be included to facilitate offers of "*energy savings*" with the same degree of competition as offers of "*generation*".

Quality standards for industrial processes should include a section on improving the energy efficiency of the process concerned, setting up, for example, *best practice* or *benchmarking* schemes which would be used as a reference by other energy consumers.

Some recommendations should be drawn up in the action plan on the procedures to be followed when framing and monitoring national programmes and coordinating them with this Commission initiative and with the programmes of other countries.

From a purely formal point of view, it is recommended that the main features, premisses and algorithms of the MURE model, the examples of the Altener guarantee of results and "*cooperative technology procurement*" be included as an annex to the communication.

A summary should also be included of the main results achieved by the SAVE programme which could serve as a starting point for the priority lines of action proposed in the action plan.

## **28. CRUDE OIL SUPPLY COSTS AND CONSUMER INFORMATION**

**Opinion of the Economic and Social Committee**  
on the *Draft Council Decision regarding a Community procedure for information and consultation on crude-oil supply costs and the consumer prices of petroleum products*  
(COM(98) 363 final - 98/0205 CNS)

(CES 1144/98- 98/0205 CNS)

Rapporteur working without a study group:  
Nikolaos LERIOS (Greece - Employers)

### **Gist of the Commission document**

In order to respond better to the objectives of Community energy policy, the Commission is proposing that the information and consultation procedure on the prices of crude oil and petroleum products be adjusted to today's conditions. To this end the Commission suggests that Directive 76/491/EEC of 4 May 1976 be repealed and replaced by the Council Decision under discussion.

The draft decision requires Member States to send the Commission information on monthly crude-oil supply costs and consumer prices of petroleum

products net of duties and taxes and inclusive of duties and taxes; this will improve market transparency and thus help round off the single market.

The Commission is to publish monthly information on crude-oil supply costs and weekly details of the consumer prices of petroleum products.

The Member States are to be consulted on the information collected within a working party of representatives from the Member States.

If there are anomalies or inconsistencies in the information supplied by the Member States, the Commission will be entitled to obtain from the Member States the relevant information supplied by the companies, as well as the calculation and assessment procedures used to secure the aggregated information.

### **Gist of the opinion**

The Commission proposes to replace Directive 76/491/EEC and to give a legal basis to the Oil Bulletin which has been published since 1979.

The Commission feels that this is necessary in order to:

- meet the objectives of Community energy policy;
- make the oil market more transparent, by regularly publishing consumer prices of oil products (both with and without taxes and duties);
- adjust legislation in the energy sector to current conditions on the oil market (Article 213 of the EC Treaty);
- act upon the decision taken at the meeting of oil price experts on 16 April 1997, to give the Oil Bulletin a legal basis;
- ensure the reliability of the information collected by the Member States from oil companies.

The Committee endorses the proposal and agrees that it is appropriate:

- to give the Oil Bulletin a legal basis, as it has proved its worth over almost 20 years, helping to improve the transparency of oil prices and



encouraging price convergence and the completion of a single market in the sector;

– to adjust the procedures for obtaining and publishing bulletin data.

**Section for Social, Family, Educational and Cultural Affairs**

Alan Hick, Head of Division ad interim - ☎ (32-2) 546 9302

**29. AN ACTION PLAN AGAINST RACISM**

**Opinion of the Economic and Social Committee**  
on the *Communication from the Commission - an action plan against racism*  
(COM(98) 183 final)

(CES 1145/98)

Rapporteur: Christoforos KORYFIDIS (Greece - Workers)

**Gist of the Commission document**

In this Communication, the Commission presents its Action Plan for combating racism across the European Union in the period leading into the new millennium.

This Action Plan builds upon the achievements of the European Year Against Racism. The European Year Against Racism represented the beginning of a process towards increasing cooperation in the fight against racism. It created a momentum, injecting new life into existing initiatives and giving rise to many new ones; raising awareness about the dangers of racism, and about some of the solutions. It led to a broad range of partnerships and networks being established or strengthened.

With this Action Plan, the Commission proposes practical and procedural measures to prepare the ground for future and more ambitious action to combat racism at European level, in particular within the framework of the new Treaty provisions on non-discrimination.

**Working in partnership**

The Action Plan will draw together all concerned - citizens, national and local authorities, non-

governmental organizations, social partners, media and sports bodies - in the fight against racism in the European Union.

In implementing this Action Plan, the Commission will place great emphasis on the importance of partnership at all levels. This will involve not only strengthening cooperation with different partners, but also supporting cooperation between them.

The Action Plan consists of four strands:

**(1) Paving the way for legislative initiatives**

The inclusion of a general non-discrimination clause in the text of the Treaty of Amsterdam, in the form of Article 13, will provide new scope for the fight against racism at European level when the Treaty comes into force. This Action Plan sets out a number of concrete actions designed to pave the way for the early use of Article 13 to combat racial discrimination. The Commission intends to table a proposal for legislation to combat racial discrimination before the end of 1999.

**(2) Mainstreaming the fight against racism**

Many Community policies and programmes could contribute positively to the fight against racism. As part of this Action Plan, the Commission will actively develop a mainstreaming approach to combating racism and discrimination and promoting integration across all relevant sectors, in particular in the areas of employment, the European Structural Funds, education, training and youth programmes, public procurement policy, research activities, external relations, information actions and cultural and sports initiatives. An inter-service group will be established within the Commission to push this process forward. The Commission will continue to take full account of the principles of non-discrimination in its own recruitment and promotion policies.

**(3) Developing and exchanging new models**

Within the framework of the budget appropriations allocated by the Budgetary Authority, the Commission supports a range of pilot projects and networks which show innovation in combating racism, and which actively promote an exchange of experience at European level. The details of funding provisions are set out in the Commission's call for projects, published in the Official Journal.

**(4) Strengthening information and communication action**

Raising awareness of the dangers of racism must be at the root of any coherent strategy to combat it. As part of this Action Plan, the Commission builds upon the information and communication work launched during the European Year Against Racism. It gives the fight against racism at European level a clear and recognizable identity, with a logo, media actions, an Internet site, publications and prizes. In addition, the Commission cooperates with various media partners to promote codes of good practice for journalists, editors and advertising bodies alike.

**Gist of the opinion**

The ESC welcomes the Commission's communication and its intention to develop a new action plan to reorganize and support the forces combating racism.

Where incorporating the fight against racism into major Community policies is concerned, the ESC focuses in particular on employment, education and training policies, as well as on the information society and the mass media.

The ESC considers the operation of the European Monitoring Centre on Racism and Xenophobia to be a particularly important element in the fight against racism, and consequently calls for its effective implementation to be speeded up.

Schools and education constitute for the ESC an area where a fully-fledged anti-racism policy can flourish and have substantial results. For this reason it calls on the Commission, in cooperation with the Member States and in the context of the new approach to the European dimension of

education which is beginning to emerge, to incorporate its anti-racism educational policy into this.

The ESC particularly stresses the need to understand the causes which lead to the appearance and development of racism, xenophobia and anti-semitism, and the need for in-depth research on these phenomena.

The ESC reiterates its proposal with regard to "developing a European police training strategy for tackling discrimination and training for police in preventive and reactive policing to combat racist crimes." The ESC feels that it would be helpful for a special police body to be set up for this purpose.

**30. SOCIAL ACTION PROGRAMME 1998-2000**

**Opinion of the Economic and Social Committee on the *Communication from the Commission on the social action programme 1998-2000* (COM(98) 259 final)**

(CES 1146/98)

Rapporteur:

Carlo Ernesto MERIANO (Italy - Employers)

Co-Rapporteur:

Ursula ENGELN-KEFER (Germany - Workers)

**Gist of the Commission document**

The European Commission sets out a framework for the future development of European social policy for the period 1998-2000. The new Social Action Programme (1998-2000) builds on the achievements of the previous medium-term Social Action Programme (1995-1997), and seeks to seize upon the fresh impetus in the social field provided by the new European Employment Strategy and the Treaty of Amsterdam. It provides an overview of the main priorities for the coming period under three main headings: jobs, skills and mobility, the changing world of work and developing an inclusive society. It states that social policy should promote a decent quality of life and standard of living for all in an active, inclusive and healthy society. It places a particular focus on encouraging access to employment, good working conditions and equality of opportunity.

## Main objectives

The Action Programme has three main objectives:

First, to provide a **framework for the future development of social policy** in a period of dynamic change. In particular, it responds to calls from many quarters, for example, the European Parliament and the European NGOs for a dynamic and forward-looking vision of social policy to accompany the next phase of European integration and, in particular, the completion of the single market, economic and monetary union and enlargement. Its starting point is that economic and social progress go hand in hand and that the whole point of economic progress is to raise people's standard of living, within the context of a balanced macro-economic strategy.

Second, to respond to the **strengthening of social policy introduced by the Treaty of Amsterdam** through the provision of a new employment title, new provisions on equal opportunities, exclusion, public health and anti-discrimination and the incorporation of the Agreement on social policy. In particular, it puts the new European Employment Strategy agreed at the Luxembourg Jobs Summit at the centre of the social policy agenda.

Third, to provide an overview of the **main actions that the Commission intends to pursue over the next three years in the social field**. Many of these actions build on the achievements of the previous action programme, which successfully broadened the social policy debate in areas of common interest (e.g. social protection, demography, undeclared work), and some have already been set out in more detailed sectoral action plans. The aim here is to pull together the key priorities in an integrated fashion and to highlight the interlinkages between the different aspects of social policy.

## Key priorities

The key priorities for the coming period are grouped under three headings:

- **jobs, skills and mobility**, including actions aimed at creating jobs and preventing unemployment, and promoting free movement of workers; the new European Employment Strategy, focused on the 1998 Employment

Guidelines, provides the centrepiece of this section;

- **the changing world of work**: action under this heading will be aimed at modernizing work organization and promoting adaptability; anticipating industrial change; seizing the opportunities of the Information Society and creating a safe and healthy workplace;
- **developing an inclusive society**: this includes modernizing and improving social protection, promoting social inclusion, achieving equality and fighting discrimination and encouraging a healthy society.

The Action Programme concludes with a section setting out the external dimension of European social policy, particularly with regard to enlargement. While the programme does not present a heavy new legislative agenda, it does contain a number of ambitious proposals. For example, the idea of a framework agreement between the social partners to help implement the adaptability pillar of the Employment Guidelines, a proposal for legislation to combat racial discrimination once the Treaty is ratified and a possible proposal to promote the integration of those excluded from the labour market.

## Gist of the opinion

The Committee is aware that the Treaty of Amsterdam has established favourable conditions for strengthening social policy and shares the Commission's view that the new social action programme should, as of now, take account of the new possibilities that will arise once the treaty is ratified. The Committee takes the view that social policy at European level should be aimed at building a consensus on minimum conditions that are compatible with the demands of competitiveness, with a view to safeguarding the European social model, while making the necessary adjustments over time in response to changing circumstances.

While the European social model is rightly considered to be a constant value in society, its true worth in practical terms will be determined essentially by its capacity to respond swiftly to the challenges presented by an era undergoing rapid transformation.

The Committee agrees with the Commission that the new economic environment created by EMU will render a close link between economic and social policy more necessary than ever. Greater attention must also be given to "dialogue with the public", not least in the area of social policy. The importance of hearing the voice of civil society is now widely recognized. The Committee also concurs with the Commission on the important role which social policy will play in the transition of the central and eastern European countries to a market economy. The Commission should give the applicant countries assistance in developing their social security systems and social legislation in particular.

The Committee supports the Commission's concern for "striking the right balance between flexibility and security". The Committee backs the Commission's view that social dialogue has a key role to play in finding that balance, with particular regard to employment strategy.

Likewise, the Committee agrees with the Commission that only a Europe offering job opportunities can sustain the core values of the European social model, and insists that the implementation of the conclusions of the extraordinary European Council in Luxembourg must include a new drive for dynamic growth and higher employment. Employment requires, as a central objective of social policy, setting up new training programmes; stepping up the integration of people excluded from the labour market and the exchange of best practice in the area of work organization, with reference to the social opportunities presented by the rapid advance of the information society; promoting entrepreneurship, equal opportunities and the free movement of workers; and, on the financial front, transforming the European Social Fund into an instrument to support national labour market policies.

The Committee strongly emphasizes the importance of promoting entrepreneurship, a central pillar in the employment strategy. It is also strongly in favour of the Commission's proposal to "develop a preventive approach to social exclusion".

The Committee agrees that management and labour, through social dialogue and free negotiation, should define balanced minimum standards by means of agreements that could gradually be translated into legislation.

The Committee also accepts that the promotion of new forms of work organization is an essential component in an integrated European employment strategy.

The Committee confirms its support for the gradual pilot testing of new forms of participation-based work organization at company and - where necessary - sectoral levels. It takes note of the Commission's commitment to encourage employers to inform and consult workers where appropriate on decisions concerning them, and to work towards the establishment of minimum standards at national level.

The Committee calls for the implementation of the new framework legislation on industrial safety. It endorses the Commission's statement that Europe's social protection systems now need to adapt so as to meet existing demands and respond to new needs, changing circumstances and the increasing pressure to contain costs more effectively. At the same time, the high standard of social protection in Europe should be maintained.

The Committee supports the Commission's efforts to mainstream equal opportunities into all major Community policies, particularly as part of the employment strategy.

The Committee welcomes the Commission's plan to carry forward the debate on fundamental rights, to maintain support, in particular in the ILO, for the promotion of internationally recognized core labour standards, and seek to encourage cooperation with the ILO, the WTO and the OECD in that respect.

The Committee draws attention to the new Amsterdam Treaty public health policy provisions.

### **31. ACTION RELATING TO VIOLENCE AGAINST CHILDREN, YOUNG PERSONS AND WOMEN (DAPHNE)**

*Economic and Social Committee opinion on the Communication from the Commission on violence against children, young persons and women including a Proposal for a Council Decision on a medium-term Community action programme on measures providing a Community-wide support to Member States action relating to violence against children, young persons and women (the DAPHNE Programme)*

(COM(98) 335 final - 98/0192 CNS)

(CES 1150/98 - 98/0192 CNS)

Rapporteur: Christina WAHROLIN (Sweden - Various Interests)

### **Gist of the Commission proposal**

This Communication has two functions.

1. It introduces a proposal for a European Parliament and Council Decision adopting a programme of community action 2000-2004 on measures relating to violence against children, young persons and women.

The five-year Community action programme builds on the DAPHNE Initiative, which, since 1997, has supported non-governmental and voluntary organisations (NGOs) throughout the European Community working in the field of violence against women and children.

NGOs play an essential role in this area, providing services that public authorities are unable or lack the competence to provide and have at their disposal significant expertise and experience in their field. They are a source of innovative and imaginative ideas and programmes.

The Programme provides clear added-value at Community level through, inter alia, the setting-up and reinforcement of European networks, and, on the other hand, the implementation of innovatory projects, the results of which are capable of transfer throughout the Community. It complements measures already undertaken in the field of Justice and Home affairs.

The Programme will run for five years and provide total aid of 25 million ECU for activities in two principal areas: exchange of information and cooperation (networks) at Community level and the raising of public awareness and the exchange of best practice.

The Programme will be opened to the eleven applicant States with whom the accession process has been launched.

2. The Communication also makes specific proposals in the areas of violence towards children and violence towards women.

In the case of children, it proposes that Eurostat be mandated to collect and analyse at European Union level publicly available statistics on child sexual exploitation and abuse within the Member States, in order to provide a base for future understanding and action.

It also supports the involvement of Europol in the establishment, maintenance and standardisation of official registers of missing children within the Member States.

In the case of women, it proposes, within the framework of the actions taken by the European Parliament and the Commission during 1999, information campaigns and awareness-raising programmes as well as the promotion of research, data collection and statistics in the field of violence against women.

### **Gist of the opinion**

The ESC wholeheartedly endorses the Commission's stance that violence against women and children should be treated as a serious infringement of basic human rights. For too long, the abuse and sexual exploitation of women and children has been regarded as matter for the family only. The Commission's declaration in this respect will provide useful ammunition in the fight against the oppression of women and children.

Despite the introduction of a large number of measures over recent years, there is still a great deal of hidden violence. If society is to be able to deal with this serious problem, more attention must be paid to the reasons why violence is perpetrated against women. One of the reasons is society's, and the individual's, view of women. Outdated ideas of a woman's role still persist.

The Committee would also point out that any discussion of preventive measures must, of necessity, also target the perpetrators of the crime, i.e. the abusers. One of the programme's shortcomings is that the abuser is hardly referred to. The following questions need to be answered:

Who are the abusers? Why do they act as they do?  
How can we get them to change their behaviour?

Moreover, it is very positive that the importance of voluntary organizations has been highlighted, as these have extensive experience and expertise in matters concerning violence against women and children.

The ESC also endorses the proposal on the EU-level collation and analysis of publicly-available statistics on the sexual exploitation and abuse of children, as well as the proposal calling on the Member States to harness Europol resources for both tracing and recovering missing children, and for possible intervention against the criminal and criminal networks.

The Committee is aware of the fact that, for cultural and other reasons, definitions of a "child" may differ. It is therefore important to refer to Article 1 of the UN Convention on the Rights of the Child, which states that a child is anyone under 18 years of age, unless legislation provides for adulthood at an earlier age.

Since this problem exists in all countries, it is extremely important that the applicant countries also be invited to participate in the programme.

The Internet is increasingly the vehicle for communication between individuals. It has enormous information potential and can facilitate cooperation between organizations. However, this new technology does have its downside: it is now easier for illegal material - such as child pornography and violent pornographic images - to travel over borders.

### **Section for Agriculture and Fisheries**

Francisco Vallejo, Head of Division - ☎ (32-2) 546 9396

#### **32. REFORM CMO / BEEF AND VEAL (Agenda 2000)**

**Opinion of the Economic and Social Committee**  
on the *Proposal for a Council Regulation (EC)*  
*No. ... on the common organization of the market*  
*in beef and veal*  
(COM(98) 158 final - 98/0109 CNS)

(CES 1151/98 - 98/0109 CNS)

Rapporteur: Rudolf STRASSER (Austria - Various Interests)

#### **Gist of the Commission's proposal**

The Commission proposes:

- reducing guaranteed prices by 30% in three steps from 2000/1 to 2002/3 (to ECU 1,950/t in 2003/4), in return for a gradual increase of 63% in the premium for young male bovines, of 56.3% in the premium for adult male bovines and 24.2% in the premium for dairy cows;

- setting national ceilings limiting the number of animals eligible for these premiums. Maximum number per farm of basic premiums for male bovines to remain at 90. Use by the Member States of their national beef and veal budget, calculated according to level of production (a total of ECU 1,962 thousand million in 2002), to supplement the basic premiums, within certain maximum amounts; or to grant a premium to heifers of more than eight months which have not yet calved, the number of eligible animals being calculated on the basis of the average slaughterings of heifers from 1997-1999; to supplement the dairy cow premium; or to finance the support per hectare pasture land as in the dairy sector;
- maintaining the ceiling of 2 livestock units (LU) per hectare for eligibility for the male bovine and dairy cow premiums;
- increasing from ECU 36/head (or ECU 52 for stocking densities of less than 1 LU/ha) to ECU 100 the extensification premium for farms with a stocking density of less than 1.4 LU/ha;

- abolishing public intervention from 1 July 2002 and establishing an aid system for temporary storage (from three to seven months) which will be triggered when market prices fall to 103% of the basic price.

#### **Gist of the opinion**

The Committee shares the Commission's view that the changes to the CMO for beef and veal are necessary to make it possible to cope with the challenges facing European cattle farming (WTO, eastward enlargement etc). Future market trends are highly relevant to the reform, and the section feels that the severe pressure on supply forecast by the Commission will not come to pass. A cut in cattle prices as an instrument to guide production is therefore by no means necessary on this scale. More important than price cuts are other instruments, such as a stronger quality orientation, labelling etc. It is therefore necessary to tread carefully between measures designed to curb the quantities of beef produced and the reduction of official prices. It is necessary to maintain sufficient external protection. The 80% compensation proposed by the Commission is unacceptable. Further price cuts and increased competitiveness are incompatible with rising production costs and falling income compensation and increase pressure on cattle farming and an already strained labour market. Splitting compensation into basic and additional payments is, the section feels, an interesting proposal, but the danger of renationalization of agricultural policy and possible distortions of competition has to be borne in mind. Finally, the section feels that the proposals will entail more bureaucracy.

The Committee comments on the individual points of the reform proposals as follows:

- The proposed 30% cuts cannot be supported for the reasons stated. Moreover, a price cut is acceptable only to the extent that funds are available for compensation.
- The question of the replacement of intervention by private storage should be discussed only when the effects of the reform can be more accurately assessed.
- The problems of some Member States over the 90-animal limit should be solved in the

Member States in the framework of the national reference quantities.

- The reorganization of extensification payments (increase) is welcome, but in some regions it will mean fewer beneficiaries, which is unacceptable.
- With regard to the granting of a dairy cow premium, the section points out that it cannot provide full income compensation for losses from meat or lost income per head.
- The Committee feels that there is a need for further discussion and information on the completely new approach to the granting of additional payments with a view to creating more flexibility and fairer distribution. The ESC strongly doubts whether the current proposal is an adequate instrument for compensating for natural, structural or regional disadvantages.
- Finally, the Committee proposes that additional EU funds be made available for promoting the sale of high-quality beef and veal.

#### **33. REFORM OF THE CAP - MILK (Agenda 2000)**

**Opinion of the Economic and Social Committee on the Proposal for a Council Regulation (EC) on the common organization of the market in milk and milk products; Proposal for a Council Regulation (EC) amending Regulation (EEC) No. 3950/92 establishing an additional levy in the milk and milk products sector**  
(COM(98) 158 final - 98/0110 CNS - 98/0111 CNS)

(CES 1152/98 - 98/0110 CNS - 98/0111 CNS)

Rapporteur: Seppo Ilmari KALLIO (Finland - Various Interests)

#### **Gist of the Commission proposals**

##### **98/0110 CNS - Milk and milk products**

The Commission proposes to reduce the intervention prices of butter and skimmed milk powder by 15% in four stages, from 2000/1 to 2003/4. In parallel with this, it proposes to phase

in a dairy cow premium. This will involve a basic premium for milk production (ECU 100 per "virtual cow" - i.e. having an average yield of 5.8 tonnes per year - in 2003/4) and a supplement for beef production, differentiated according to national yield. Additional financial aid is also scheduled; it will be distributed among Member States according to the level of their milk quotas, and national authorities may grant it either as a supplement to the basic premium (milk and beef) or as an area payment for permanent pastureland. A maximum sum is also established for payments per "virtual cow" under the dairy cow premium and per hectare under the permanent pastureland premium. The national allocations will be calculated according to the level of appropriations which each Member State would need in order to increase by ECU 45 the basic premium for milk production.

***98/0111 - Additional levy in the milk and milk products sector***

For six consecutive twelve-month periods starting on 1 April 2000, milk producers are to pay an additional levy on quantities of milk or milk equivalent that exceed a specified level. Reference quantities are to be increased by 2% over four twelve-month periods starting on 1 April 2001, with no parallel increase in the number of animals eligible for the dairy cow premium. Half of the additional quantity will be allocated by Member States to young farmers who intend to start or develop milk production; the other half will be allocated to farmers in upland areas, who will not be allowed to transfer the additional quantities to other areas during the first two years following their allocation. The Commission also proposes to loosen the link between quota and land, in order to strengthen the role of genuinely active producers.

**Gist of the opinion**

The Committee feels that the Commission's proposal puts too much emphasis on achieving international competitiveness, leaving no scope for the European model of agriculture, i.e. one which is environmentally friendly and based on sustainable development, but which at the same time guarantees farmers a fair level of income

The Committee points out that the quota system and the dairy cow premium scheme are of great economic significance for milk producers, particularly in view of forthcoming enlargement to

the East. On this point, the Committee feels that the Commission should give a clearer picture of what will happen to the quota scheme after 31 March 2006.

The Committee feels that the proposed reduction in prices is excessive. While recognizing that the aim of such a reduction is to improve competitiveness, it emphasizes that producers' incomes must be stabilized and milk production secured throughout the EU. The price reductions and compensation now being proposed by the Commission do not satisfy these requirements at all. In addition, there seems to be no real discussion of food price levels. Should the Council favour the system proposed by the Commission, full compensation for the price cuts would be absolutely essential.

The Committee regrets that compensation is not to be given in full, and that it is not to be equal for milk producers in all regions. With support being given by individual states, care must be taken to avoid distortions of competition (risk of renationalization).

Lastly, the Committee points out certain unfair aspects of the compensation arrangements.

The Commission proposal falls short of the objectives set out in Agenda 2000, and the Committee is therefore unable to give it its approval.

**34. CEILINGS FOR DIRECT INCOME SUPPORT  
(Agenda 2000)**

**Opinion of the Economic and Social Committee on the *Proposal for a Council Regulation (EC) establishing common rules for direct support schemes under the common agricultural policy* (COM(98) 158 final - 98/0113 CNS)**

(CES 1153/98 - 98/0113 CNS)

Rapporteur: Giorgio LIVERANI (Italy - Workers)

**Gist of the Commission proposal**

The proposal concerns payments which are made directly to farmers under CAP support schemes, and which are funded in whole or in part by the EAGGF-Guarantee Section, with the exception of compensatory allowances in disadvantaged areas.



The main planks of the proposal are as follows:

- Member States are to take appropriate environmental measures catering for the specific situation of the agricultural land used and the production concerned. They may reduce or, where appropriate, cancel aid if these environmental requirements are not respected.
- Member States may reduce payments to farmers for a given calendar year if the labour force used on their farm during that year falls short of a limit set by the Member State. This reduction may not exceed 20% of the total amount of aid.
- Member States may use the money saved as a result of these environmental and employment requirements in order to finance additional Community support for agri-environmental measures forming part of rural development policy.
- If the total payments to be granted to a farmer for a given calendar year exceeds ECU 100,000, the part of that amount in excess of ECU 100,000 but less than ECU 200,000 will be reduced by 20%, and any part which exceeds ECU 200,000 will be reduced by 25%.

#### Gist of the opinion

The Committee endorses the Commission proposal that a regulation be adopted to lay down common standards for direct support schemes for farmers. It fully shares inter alia the aim of safeguarding the current level of employment in the agricultural sector. The Committee agrees with the Commission's idea of making Community aid conditional upon respect for EU rules on environmental matters, since it is clear that the new CAP must be based on the conservation of the natural environment, as well as on production of food which is as safe as possible for consumer health.

The Committee cannot help but be concerned by the fact that some aspects of the Commission's draft regulation reveal an unwelcome trend towards the renationalization of the CAP. This would jeopardize its basic objectives both with regard to income protection and the development of agri-environmental policies designed to protect

the land and rural areas. It could also create turmoil on the EU market, to the detriment of both farmers and consumers, and would jeopardize the job-protection policy. The Committee therefore asks the Commission and the Council to carefully consider the practical consequences of the proposal, bearing in mind the specific comments contained in this opinion.

#### 35. RURAL DEVELOPMENT (Agenda 2000)

**Opinion of the Economic and Social Committee on the Proposal for a Council Regulation (EC) No. ... of ... on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)**

(COM(98) 158 final - 98/0102 CNS)

(CES 1154/98 - 98/0102 CNS)

Rapporteur: Adalbert KIENLE (Germany - Employers)

#### Gist of the Commission proposal

Over the coming years, European agriculture will have to adapt to new realities. These changes should be supported by reorganizing and simplifying existing rural development instruments, so that rural development becomes the second pillar of the CAP.

The Commission therefore proposes to group rural development measures into a single regulation. The three flanking measures of the 1992 reform (Community support for early retirement, agri-environmental measures and afforestation) are bracketed with the scheme for less favoured areas, and will be financed throughout the Community by the EAGGF-Guarantee Section.

The other measures will form part of the integrated development programmes for Objective 1 and Objective 2 regions.

These measures principally concern:

- investment in farms;
- establishment of young farmers;
- improvement of processing and marketing facilities.

They will be financed by the EAGGF:

- Guidance Section in Objective 1 regions (regions where development is lagging);
- Guarantee Section in other regions.

#### **Gist of the opinion**

The Committee fundamentally welcomes the fact that the new Rural Development Regulation consolidates a number of existing individual measures, provides for the measures to be implemented more flexibly and pays greater heed to subsidiarity aspects. These include the promotion of investment in individual agricultural enterprises, the establishment of young farmers' compensatory payments in respect of areas suffering from natural disadvantages, promotion of training and further training and, in particular, in respect of the existing accompanying measures (relating to the agricultural environment, early retirement and forestry). The Committee feels that tightening up the existing legislation may help to simplify it.

The Committee believes that the Commission's goal of turning sustainable rural development into the "second pillar" of the common agricultural policy has good prospects of success. Agriculture is a pre-requisite for environmental protection and rural development. The ESC takes the view that it is both essential and appropriate that the regulation be implemented throughout the EU. However, the ESC believes that the proposed level of funding for the rural development regulation is inadequate to meet the goals of effectively countering the marginalization of rural areas and of making agriculture competitive and thereby enabling it to rise to the new challenges.

### **36. LAYING HENS**

**Opinion of the Economic and Social Committee**  
*on the Communication from the Commission on the protection of laying hens kept in various systems of rearing and the Proposal for a Council Directive laying down minimum standards for the protection of laying hens kept in various systems of rearing*

(COM(98) 135 final - 98/0092 CNS)

(CES 1155/98 - 98/0092 CNS)

Rapporteur: Kenneth J. GARDNER (United Kingdom - Employers)

#### **Gist of the Commission's proposal**

The proposal contains rules for improving the welfare of laying hens kept under all systems of rearing, including cages.

The new rules would apply from 1 January 1999 to newly built or rebuilt systems of rearing, and from 1 January 2009 to all systems of rearing. In particular it is proposed that the minimum space be increased from 450 cm<sup>2</sup> to 800 cm<sup>2</sup> per bird in battery cages. The proposal also lays down minimum standards concerning management and other factors affecting the birds' environment so as to permit, in all cases, nesting, dust-bathing and perching.

The use of 450 cm<sup>2</sup> battery cages would be prohibited gradually rather than immediately in order to allow the industry to adapt and to give it the opportunity to improve the alternative systems. The proposal also provides for mandatory labelling of eggs and egg-packs by Community producers according to type of production.

#### **Gist of the opinion**

The Committee feels it unacceptable for the Commission to modify the current minimum standards for battery hens, until it is able to enforce the existing standards effectively throughout the EU and until the competitiveness of EU poultry farming is safeguarded on the world market. (The EU Member States and Switzerland are the only countries in the world which have compulsory standards for the welfare of hens.)

The ESC goes on to examine a number of further aspects and analyses the possible consequences of the proposal. It considers that there is no basis whatsoever for maintaining that the removal of the current battery cage system would improve animal welfare.

The ESC looks at various socio-economic aspects, such as the impact on employment, prices, quality, health and working conditions, and highlights the adverse impact which the directive could have in each case. Environmental and health aspects are also scrutinized. Disease prevention, for example, is less effective in alternative systems, and up to three times more space would be required to house

laying hens. These considerations lead the ESC to conclude that the proposed directive is counterproductive and carries with it some very worrying risks.

### **37. FINANCING OF THE CAP (Agenda 2000)**

**Opinion of the Economic and Social Committee on the *Proposal for a Council Regulation on the financing of the Common Agricultural Policy* (COM(98) 158 final - 98/0112 CNS)**

(CES 1156/98 - 98/0112 CNS)

Rapporteur: Jean-Paul BASTIAN (France - Various Interests)

#### **Gist of the Commission proposal**

For expenditure after 1 January 2000 the EAGGF Guarantee Section is to finance: export refunds and common market aid and intervention; rural development (and restructuring of fisheries) outside Objective 1 regions (regions whose development is lagging behind) with the exception of the Community initiative programme (the current Leader programme); rural development measures covered by pre-accession support to the central and eastern European applicant countries; the Community contribution to action in the veterinary field. The Guidance Section will finance rural development in Objective 1 regions and the initiative programme.

#### **Gist of the opinion**

The Committee is concerned at the complexity of the new financing system, and is worried about the balance between the wide range of measures to be financed by the EAGGF Guarantee Section.

The ECS considers that the budgetary margin within the agricultural guideline must be preserved, given the importance of the reforms being undertaken.

The ESC calls for full compensation for the fall in prices, and thinks that the resultant increase in expenditure should be reflected in the financial perspectives for the CAP reform.

The Committee feels that the grouping together of market support and structural measures could confuse matters. The budget must make a clear

distinction between these two types of policy, inter alia as regards budgetary planning and the allocation of appropriations. The reorganization must in no circumstances strengthen one at the expense of the other.

The Committee is worried that the pre- and post-accession measures are to be financed from the agricultural guideline for the 15 existing Member States, and that insufficient resources are provided for this. The Committee also feels that the expenditure envisaged for rural development measures is too low. Lastly, it considers that a clear distinction between CAP expenditure for the EU-15 and for the new Member States is vital.

### **38. FISHERIES (Common policy / Control system)**

**Opinion of the Economic and Social Committee on the *Proposal for a Council Regulation (EC) amending Regulation (EEC) No. 2847/93 establishing a control system applicable to the common fisheries policy* (COM(98) 303 final - 98/0170 CNS)**

(CES 1157/98 - 98/0170 CNS)

Rapporteur: Eduardo CHAGAS (Portugal - Workers)

#### **Gist of the Commission proposal**

In view of a number of shortcomings clearly identified in the course of the application of Council Regulation (EEC) No. 2847/93, the aim of the proposed adjustments is to improve transparency and cooperation among Member States and with the Commission, to ensure fairer and more effective monitoring in the context of relations with non-member countries, and to exploit more fully the opportunities afforded by cross-checking different sources of information, particularly by introducing more checks after landing.

#### **Gist of the opinion**

The Committee regrets that the Commission has not put forward a more in-depth proposal that would provide a general regulatory framework more closely geared to control requirements.

The Committee goes on to make and explain a number of significant recommendations for improving the effectiveness of monitoring activities. More specifically, it mentions the need to eliminate disparities in the way checks are carried out and EU legislation is implemented, and the need to further develop monitoring systems. An integrated approach is needed, covering all strands of the common fisheries policy including the problems of third countries (such as stricter monitoring and inspection). The Committee feels that third country vessels which are authorized to fish in Community waters should at the very least be subject to the same rules as EU vessels. Given the complexity of the implementing procedure, the Committee feels that the requirement for Member States to submit their report on the regulation by 1 March may not be feasible, and that a later date should be specified.

### **39. PRODUCTION AND MARKETING OF HONEY**

**Opinion of the Economic and Social Committee** on the *Proposal for a Council Regulation (EC) amending Regulation (EC) No. 1221/97 laying down general rules for the application of measures to improve the production and marketing of honey* (COM(98) 313 final - 98/0171 CNS)

(CES 1158/98 - 98/0171 CNS)

Rapporteur: Carlo GOTTERO (Italy - Various Interests)

#### **Gist of the Commission proposal**

Owing to the time limit laid down in Regulation (EC) No. 1221/97 for the first year, the national programmes for the improvement of honey production and marketing applied only from 12 March 1998.

On the other hand, Article 3(3) provides for a deadline of 15 October each year by which payments must be made.

In order to avoid too great a reduction of the programme period in the first year, a prolongation of the deadline to 31 January 1999 is proposed under these circumstances.

#### **Gist of the opinion**

The Committee approves the Commission proposal.

### **40. AGRIMONETARY ARRANGEMENTS FOR THE EURO/CAP**

**Opinion of the Economic and Social Committee** on the *Proposal for a Council Regulation (EC) establishing agrimonetary arrangements for the euro and Proposal for a Council Regulation (EC) on transitional measures to be applied under the common agricultural policy with a view to the introduction of the euro*

(COM(98) 367 final - 98/0214 CNS - 98/0215 CNS)

(CES 1159/98 - 98/0214 CNS - 98/0215 CNS)

Rapporteur-General: José Maria ESPUNY MOYANO (Spain - Employers)

#### **Gist of the Commission proposals**

The legislation governing the agrimonetary system basically comprises Council Regulation (EEC) No. 3813/92 of 28 December 1992 on the unit of account and the conversion rates to be applied for the purposes of the common agricultural policy, and Council Regulation (EC) No. 724/97 of 22 April 1997 determining measures and compensation relating to appreciable revaluations that affect farm incomes.

The Commission proposals seek to repeal these previous regulations, given the introduction of the euro on 1 January 1999, and to replace them with a single regulation establishing the agrimonetary arrangements for the euro.

Another regulation will be needed to regulate the transition from the current system to the new arrangements.

#### **Gist of the opinion**

The Committee broadly approves the new agrimonetary arrangements proposed by the Commission which are distinctly closer to the reality of the economic situation, simpler and less onerous on the budget.

The Committee does, however, draw the Commission's attention to the fact that the nature and method of financing of the new compensatory aid are not such as to remove all discrimination between and within Member States. The Committee therefore urges that, for as long as compensatory aid is provided, it be applied without discrimination and to all parties concerned, including industry.

The Committee notes that the Commission's proposals do not take future member states into account. It calls on the Commission to address this matter as soon as the details of the transitional arrangements are known.

#### **41. INTRA-COMMUNITY TRADE IN BOVINE ANIMALS AND SWINE**

**Opinion of the Economic and Social Committee on the Proposal for a European Parliament and Council Directive amending Council Directive**

*97/12/EC of 17 March 1997 amending and updating Directive 64/432/EEC on health problems affecting intra-Community trade in bovine animals and swine*  
(COM(98) 338 final - 98/0194 COD)

(CES 1160/98 - 98/0194 COD)

Rapporteur: Cornelius SCULLY (Ireland - Various Interests)

#### **Gist of the Commission proposal**

The objective of the proposal is to allow an additional six months so that Member States can formulate and transpose the new rules for monitoring and surveillance of bovine tuberculosis, bovine brucellosis and enzootic bovine leukosis.

#### **Gist of the opinion**

The Committee endorses the proposal unreservedly.

**Section for External Relations, Trade and Development Policy**  
Georgina Willems, Head of Division - ☎ (32-2) 546 9471

#### **42. EU / SOUTH-EAST EUROPE (*Information Report*)**

**Information Report of the Economic and Social Committee on Relations between the EU and certain countries in south-east Europe**

(CES 1025/98 fin)

Rapporteur: Georgios SKLAVOUNOS (Greece - Various Interests)

#### **Case for drawing up the information report**

On 26 February 1996, following the Commission report on prospects for the development of regional cooperation between the former Yugoslav states and on the resources available to the Community for promoting such cooperation, the Council devised a regional approach focusing first and foremost on countries with which the EU had not hammered out negotiating briefs for association

agreements (Albania and four of the five republics of former Yugoslavia).

The Royaumont initiative calls for a common, sustained drive to strengthen stability and neighbourly relations in south-east Europe. A number of possibilities have been identified, such as cooperation on the rehabilitation of civil society structures and tangible projects with a cross-border emphasis.

The Community has concluded a non-preferential trade and cooperation agreement with Albania and negotiated a preferential cooperation agreement with FYROM which refers to this country's desire for association. Circumstances have not yet made it possible to negotiate such agreements with Bosnia-Herzegovina, Croatia or the FRY, and the Commission has framed common conditions and principles for future agreements with these countries, stressing cooperation among them, trade

aspects, political dialogue, political conditions and a human rights reservation clause.

The Commission also recently reported to the Council on the Central European Initiative, which it sees as a useful instrument for promoting good neighbourliness, boosting political stability, strengthening human rights and democracy (also in the social sphere) and fostering economic and trade cooperation. The EU (Community and Member States) is also the main provider of funds for the reconstruction of Bosnia-Herzegovina.

### **Gist of the Information Report**

The European Union's difficulty in playing a direct, effective and decisive leading role in bringing peace to the region (as in the recent Yugoslav crisis) and in agreeing on a single view of the region serves to demonstrate once again its importance as a catalyst.

Using knowledge of the specifics of each country in the region, the information report tries to identify common factors, problems, needs and hence priorities, with the aim of promoting common policies and measures that will underpin the social and economic reconstruction which is an essential ingredient for establishing peace, security and stability in the region.

The ESC feels that strengthening peace, stability and security is crucial for the economic and social regeneration of the region.

In this respect, the ESC feels that the EU has a historical responsibility and obligation towards the south-eastern part of Europe, to reinforce initiatives already underway at all levels and to encourage new grass-roots initiatives (people to people) to establish a firm peace in the region.

Establishing democracy must be a constant, steadily pursued goal that will be achieved most effectively by taking a radical approach.

For democracy to become established, it must be operative on a political, social and economic level.

A legal and institutional framework must be developed.

The limited funds and measures geared towards social development and democratization under the

PHARE programme are inadequate given the critical situation which now pertains.

The Committee considers necessary the development of a European Common Policy in favour of minorities.

The problem of refugees in the region requires an integrated, concerted approach.

The ESC urges the European Union to face concretely, decisively and effectively the problems of refugees as these problems have very serious sequential and side effects.

Governments should be encouraged to press ahead with institutional reform of the administrative and judicial system.

Ensuring uniform procedures and formalities for the benefit of citizens as people, workers and entrepreneurs across south-eastern Europe could be achieved if cross-border, cross-sectoral cooperation in the public administration is initiated.

The ESC emphasizes the great need for the EU and Member States to provide at last an effective strategy against organized crime in the EU and at its borders.

The common problems considered above "as a whole" and their interactions with each other, are integral aspects of the intricate and complex problem of economic and social transition in the countries of south-eastern Europe to systems that are closer to western European models.

Given the importance of south-eastern Europe as a junction linking the continent to the Black Sea, the Caucasus and the Mediterranean, a special "structured" approach is needed to connect European networks with the region.

A regional and sectoral programme of institutional development and reform, which is needed to promote the development process and regional cooperation, should be drawn up and implemented.

Problems with the transition process mean that new approaches and measures are needed at sectoral level.

Certain areas and sectors can and must be used as the driving forces of economic reconstruction.

The information report comprises several appendices, describing the past and present relations with Southeast Europe and the regional initiatives.

It is essential that the context and basic principles of sustainable development be understood and applied if economic and social reconstruction is to succeed in the medium term.

*The Committee decided to forward this information report to the other EU institutions.*

#### **43. SLOVAKIA IN THE CONTEXT OF REINFORCEMENT OF THE PRE-ACCESSION STRATEGY (Own-initiative)**

**Opinion of the Economic and Social Committee on Slovakia in the context of reinforcement of the pre-accession strategy**

(CES 1161/98)

Rapporteur: Henri MALOSSE (France - Employers)

**Arguments for drawing-up an Opinion on Slovakia in the context of reinforcement of the pre-accession strategy**

At the conference of 23/24 September 1997 with representatives of socio-professional organizations from the CEEC, as indeed at previous meetings such as that on the White Paper on the Integration of the CEEC into the single market, representatives of socio-professional organizations from the applicant countries clearly indicated that they wished to develop bilateral and multilateral contacts with the ESC.

The ESC seems to have followed this wish, since a joint consultative committee has been established with Hungary. Joint consultative committees will no doubt shortly be established with other applicant countries, such as Poland, Bulgaria and, perhaps, Romania. Moreover, the ESC has organized fairly regular meetings on multilateral or regional issues, namely

- Phare (in Brussels);
- White Paper on Integration into the single market (in Warsaw);

- cooperation with countries bordering the Baltic Sea (in Tallinn, with the Baltic states); and
- enlargement and the reinforcement of the pre-accession strategy.

Some candidate countries were covered more by bilateral contacts, or recently by work on relations with the countries bordering the Baltic Sea.

Since 1990, the section has worked on relations with the ten associated countries. Some of its opinions need to be updated if the ESC wishes to obtain recent information on the accession countries during the negotiation period and during the reinforcement of the pre-accession strategy.

This concerns, in the first instance, an opinion on Czechoslovakia adopted in 1991, before the split between the Czech Republic and Slovakia. In the case of Slovakia, it is interesting for the ESC to know about economic and social development in the country and to support the socio-professional organizations so as to close the gap with those countries where civil society is more structured. The opinion will take into account the partnership for the accession of Slovakia, which the Council is due to adopt in March.

The work may involve a meeting, in Slovakia itself, with the representatives of the main economic and social organizations.

#### **Gist of the Opinion**

The Economic and Social Committee supports in principle the idea of integrating Slovakia into the European Union. It regrets that the present political context has led to a postponement of accession negotiations. Through its own-initiative opinion the Committee seeks to assist the establishment of a state of law in Slovakia, in accordance with the democratic values of the European Union. The Committee wishes to contribute constructively in this way and send a positive signal to Slovak socio-economic organizations and society.

The Committee regrets that the question of maintaining and strengthening relations between the CEEC themselves and between them and their neighbours is not included among the priorities of the partnerships.

The Committee takes the view that regional integration and frontier cooperation projects should be among the first priorities of the partnership for Slovakia, but also for its neighbours, so as to promote a regional framework of cooperation, mutual confidence and stability.

Similarly, the Economic and Social Committee is concerned that the enlargement process should not revive regional tensions, particularly between the applicant countries. In this spirit and given the special history of the two entities which formerly constituted Czechoslovakia, it would be preferable, if possible, for them to accede to the European Union simultaneously.

As regards the content of Slovakia's partnership for accession, the Committee suggests that the following areas be developed or strengthened:

- Organization of the social dialogue and of policies to encourage employment and implement the social chapter.
- The establishment of an environment which is more favourable to SMEs, craft industries and the entrepreneurial spirit.
- Organization of local authorities, entrusting increased responsibilities and resources to locally elected representatives.
- Active policies on education, research and culture.

The Economic and Social Committee calls upon the European Commission to establish more systematic contacts with Slovakia's economic and social organizations and those of civil society:

As regards communication and information, the Commission delegation in Bratislava must be given the necessary resources to set up a unit for contacts with the economic and social organizations and civil society.

As regards cooperation and assistance programmes, a larger share of the projects financed by the pre-accession instruments must be devoted to supporting civil society and its representative organizations.

As regards socio-economic analysis of the impact of accession, the European Commission must support the work of independent experts working in Slovakia in the context of a European

observatory, liaising closely with economic and social organizations and civil society.

The ESC calls upon the government and parliament of the Slovak Republic to respond to the aspirations of their citizens, most of whom are very much in favour of integration into the European Union. It is up to the government and parliament to initiate the necessary reforms in order to make possible Slovakia's accession in the first group of central and eastern European applicant countries. Of all the necessary reforms, it is in the Committee's view the democratization of political, economic and social life which would be the key to success.

#### **44. THE CZECH REPUBLIC WITHIN THE FRAMEWORK OF ENLARGEMENT AND THE REINFORCEMENT OF THE PRE-ACCESSION STRATEGY (*Own-initiative*)**

**Opinion of the Economic and Social Committee on the Czech Republic within the framework of enlargement and the reinforcement of the pre-accession strategy**

(CES 1162/98)

Rapporteur: Ettore MASUCCI (Italy - Workers)

**Arguments for drawing up an Opinion on the Czech Republic within the framework of enlargement and the reinforcement of the pre-accession strategy**

At the conference of 23/24 September 1997 with representatives of socio-professional organizations from the CEEC, as indeed at previous meetings such as that on the White Paper on the Integration of the CEEC into the single market, representatives of socio-professional organizations from the applicant countries clearly indicated that they wished to develop bilateral and multilateral contacts with the ESC.

The ESC seems to have followed this wish, since a joint consultative committee has been established with Hungary. Joint consultative committees will no doubt shortly be established with other applicant countries, such as Poland, Bulgaria and, perhaps, Romania. Moreover, the ESC has



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- White Paper on Integration into the single market (in Warsaw);
- cooperation with countries bordering the Baltic Sea (in Tallinn, with the Baltic states); and
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Some candidate countries were covered more by bilateral contacts, or recently by work on relations with the countries bordering the Baltic Sea.

Since 1990, the section has worked on relations with the ten associated countries. Some of its opinions need to be updated if the ESC wishes to obtain recent information on the accession countries during the negotiation period and during the reinforcement of the pre-accession strategy.

This concerns, in the first instance, an opinion on Czechoslovakia adopted in 1991, before the split between the Czech Republic and Slovakia. Accession negotiations with the Czech Republic will very probably start in early 1998. The opinion could concentrate on economic and social issues in the Czech Republic at the start of the accession negotiations, and could be based on the partnership for accession which the Council is due to adopt in March 1998.

#### **Gist of the opinion**

The Committee thinks that the draft decisions on the Accession Partnerships are extremely important and intends to examine the content of these draft decisions and to subsequently follow the national programme for the adoption of the "acquis" that each applicant country is obliged to present.

The Committee will closely follow the monitoring of the Accession Partnerships that is to be carried out using the instruments of the Europe Agreement (sub-committees, Association Committee and Council). The Committee also wishes to be consulted on the first report to the European Council, which the Commission is to submit to the Council at the end of 1998.

In 1997 the Czech Republic suffered a grave political and institutional crisis. Serious political

corruption scandals came to light and tensions arose between the government and the President's office.

The current economic and political crisis has highlighted the fact that the transformation process was not as advanced as was previously thought and that more time and attention are needed.

Some of the medium-term priorities of the Accession Partnership agreement with the Czech Republic are: to develop adequate structures for the labour market and to review employment policy in order to prepare for involvement in EU coordination; to bring Czech legislation on health and safety at work into line with EU legislation and to strengthen the framework; to enhance equal opportunities for men and women; to further develop an active and autonomous social dialogue; to promote social protection and to make progress in raising public health standards to the level of those in the EU.

Over the last few years (1991-1997), the level and pattern of employment in the Czech Republic has undergone significant changes.

The unemployment rate in the Czech Republic was by far the lowest among the central European transitional economies, but economic stagnation in 1997 raised the figure.

Social expenditure is currently around 20% of GDP and the level of pension expenditure is conspicuously low, well below the Community average (14%).

One-third of the population now contributes towards a private, supplementary pension.

Education is proving to be a particularly delicate issue. The government - despite the lack of an overall development strategy for education - has proposed a secondary-school reform which would entail higher costs for students.

Action also needs to be taken on the health and safety of workers. In this regard, ILO Conventions 155 and 161 on the subject should be fully enforced.

On 25 and 26 June, the study group had a series of interesting meetings in Prague with the representatives of the EU delegation and also with

politicians and directors of the Ministry of Foreign Affairs, the Ministry of Labour and Social Affairs and the Ministry of Industry. It also met with the leaders of the CMKOS (Czech-Moravian Confederation of Trade Unions), the confederation of private-sector business and a farmers' organization. These meetings enabled the study group to form a clearer opinion.

At the political level there is general consensus over EU membership, a fact that was highlighted in most party manifestos. So far there have been no particular delays and there is certainly no danger of an administrative breakdown, since the continuation of negotiations with the EU has been guaranteed. But if the new government does not have a solid majority it will be difficult to continue transposing the *acquis* at a steady pace.

The National Statistics Office forecast for GDP growth in 1998 has been revised downwards from 1.6-2% to 1.4%, but the forecast for 1999 is 3%. Economic recovery is essentially linked to a positive export trend. In the first quarter, exports increased. However, there is a lack of the know-how, technology and capital needed for restructuring - the latter being in short supply, particularly at the present time.

With regard to industrial policy, it will be important for Czech companies to overcome their lack of competitiveness in the domestic and foreign markets. This is not so much due to technical and technological standards as to the level of labour productivity and a low value added.

The Czech economy is undoubtedly strongly dependent on the economic situation in the EU and a new problem is looming on the horizon - unemployment.

An unemployment rate of 6% may not seem serious to the EU, which is used to much higher rates, but it should be stressed that this figure is likely to grow and unemployment is a new, little-known phenomenon in this country.

To tackle the work problem, appropriate policies, resources and instruments are needed.

The meetings with the Czech authorities revealed that a comprehensive plan is being drawn up to deal with the unemployment problem. The plan will cover all areas relating to basic economic growth targets.

A considerable boost for employment could also come from SMEs, which currently represent over 50% of the industrial sector.

As for social dialogue, the social partners bemoan the fact that they have often been briefed on, rather than involved in, the integration process.

The reform of the labour code takes on extreme importance here because it offers the chance to start a serious debate on the philosophy behind labour relations and legislation.

Certain sectors, such as the environment, transport and agriculture, require structural reforms to make them competitive and compatible with the single market. They also need considerable financial resources, only a small part of which will come from EU financial aid. For these sectors, the Czech authorities foresee the need for transition periods, but consider that they should be of limited duration.

#### **45. EU/MERCOSUR/CHILE RELATIONS** *(Own-initiative)*

**Opinion of the Economic and Social Committee**  
*on EU/Mercosur/Chile relations*

(CES 1163/98)

Rapporteur: Giacomo REGALDO (Italy - Employers)

#### **Case for drafting an Opinion on EU/Mercosur/Chile relations**

The EU has maintained links with Chile despite the political vicissitudes experienced by that country. Chile's return to democracy led to the signing (20 December 1990) of a third-generation framework cooperation agreement based on respect for democratic principles and human rights. This agreement also broke new ground by including more comprehensive provisions on cooperation in the fields of science and technology, vocational training and the environment, and new clauses on cooperation in the social, cultural and public authority sectors as well as in the fields of information and communications.

The European Union is the main aid donor to Chile, which received an aggregate of ECU 250

million from the Community and its Member States between 1990 and 1994. This figure represents 59% of total development aid received by Chile. In addition, the EU remains Chile's principal trading partner (26%), notwithstanding the recent loss of certain market shares, and is a major investor, accounting for 44% of direct investment in non-mining sectors between 1974 and 1994.

On 8 November 1995, the Commission adopted a Communication to the Council and Parliament on strengthening relations between the European Union and Chile. On the basis of this document, the Commission asked the Council (20 November 1995) to give it a negotiating brief to conclude a framework cooperation agreement focusing on:

- steps to strengthen cooperation under the existing agreement and to extend it to other sectors;
- the establishment of commercial cooperation in preparation for the progressive, reciprocal liberalization of trade, bearing in mind the sensitive nature of certain products and the need to comply with the relevant WTO rules;
- the strengthening of relations in the field of trade promotion (public procurement, intellectual property, standardization, mutual recognition agreements, etc.);
- increased cooperation in the services sector;
- action by the two parties to promote a favourable, stable climate for reciprocal investment;
- the establishment of regular political dialogue as a means of reinforcing and consolidating EU-Chile rapprochement.

The framework agreement was signed in Florence in June 1996 and is now in the process of ratification.

The Section for External Relations, Trade and Development Policy recently issued an Opinion on relations between the European Union and Mercosur, with which Chile has signed an economic complementary agreement. Chile also participates in the institutions of Mercosur, including the recently established "Foro economico y social" and takes part in political dialogue involving the EU-Mercosur, Bolivia and Chile, on the sidelines of the Rio group.

### Gist of the opinion

The present draft opinion examines the trilateral relations between the EU, Chile and Mercosur. Special attention is focused on the current situation in Chile, together with its links with Mercosur and the EU, taking account of the forthcoming negotiations on the signature of an association agreement of a political and economic nature between the EU and each of the partners.

Chile stands out among Latin American countries in terms of its political evolution and economic model.

The country currently possesses one of the best-managed and most liberalized economies in Latin America and is seen, both within and outside the region, as a **successful model of development**.

However, a number of difficulties have emerged in recent years, calling the long-term sustainability of the Chilean model into question.

The **slow-down in growth** principally reflects an external deficit.

In this respect, the Chilean government's future economic policy should also take account of the enormous weight of small and medium-sized enterprises (SMEs) in the country's economy, where they make up 98.5% of the domestic private sector and are playing an increasing role in the export sector.

By pursuing an **open regionalism** policy, Chile has diversified its trade relations with various countries and economic entities.

Chile is also one of the major Latin American recipients of foreign direct investment (FDI).

Chile's macroeconomic stability stands in contrast to **marked social inequality**. Two decades of structural reform, including a unilateral opening up of the economy and an ambitious privatization programme, have entailed a high price in terms of social welfare. Low pay levels and the concentration of wealth are the main causes of this social deficit. According to World Bank figures for 1996, 61% of national income is concentrated on the 20% richest Chileans, with the 20% poorest citizens sharing only 3.5%.

Chile's social indicators are, however, higher than the average for Latin America.

Given the present situation in Chile, the ESC expresses its support for the process of consolidating democracy in the country. In its view, full democratic normalization in Chile is also a prerequisite for achieving greater social equality. To this end, the Committee highlights the importance of implementing more ambitious reforms in the social sphere, with special emphasis on the labour sector, education and health.

Furthermore, the ESC considers that redistribution policies and greater social justice are vital to the long-term sustainability of the "Chilean model", and urges the government, trade unions and employers to establish an on-going, independent social dialogue. From this point of view, it believes that the creation of a Productive Development Forum by the government, on which the main sectors of Chilean civil society are represented, is a step in the right direction, as is the recent agreement on minimum wages.

The ESC welcomes the European Commission's support for development cooperation in Chile, and calls for these resources to be maintained and diversified, with a particular focus on the economic and social dimension. The ESC considers it necessary to step up the current levels of economic and business cooperation between the two sides. Similarly, it recommends devising specific projects to support SMEs, including technical assistance to make it easier for Chilean SMEs to take part in the AL-INVEST and ECIP programmes and to gain access to EIB loans.

Both the EU and Chile are hoping the new agreement will spur cooperation, trade and investment flows. It should be emphasized that the EU's economic presence in Chile has eroded. This development stands in contrast to EU exports to Mercosur, which grew by an annual average of 26.1% between 1992 and 1997, compared with the 14.3% increase in sales to Chile. The EU is the second largest foreign investor in Chile.

Against this backdrop, the launching of negotiations on reciprocal liberalization of trade could represent a first step to winning back the EU's traditional privileged trading position in Chile and stepping up investment levels.

The ESC welcomes the recent progress in EU cooperation with Chile and Mercosur. It also recalls that it has taken an active part in this two-way process of approximation, through a parallel dialogue with the representatives of civil society in Mercosur and Chile. As a result of its consultations with the FCES with the aim of putting its relations with Mercosur on an institutional footing, the ESC urges the establishment of an ESC-FCES Joint Consultative Committee within the framework of the interregional political and economic association agreement, which is to be negotiated in the near future. At the same time, the ESC wishes to intensify its dialogue with Chilean trade union and employers' representatives.

The ESC recommends that the process of negotiating the future association agreements, which is to commence in the course of 1998, should pay due attention to the involvement of civil society, by means of consultation and a regular dialogue with the representatives of trade unions, employers and other sectors. With regard to its relations with Chile, the ESC urges the Commission to maintain present levels of cooperation with the country, and suggests that the future economic and political association agreement should include mention of cooperation in the social sphere.

#### **46. PREPARATIONS FOR THE 4<sup>TH</sup> EURO MEDITERRANEAN SUMMIT** (*Information report*)

**Information Report of the Economic and Social Committee on *The role of the Euro-Mediterranean economic and social partners in developing and improving national and Euro-Mediterranean vocational training instruments with a view to the establishment of a free trade area and the opening-up of economies***

(CES 519/98 fin)

Rapporteur: Victor FORGAS I CABRERA (Spain - Various Interests)

#### **Context**

At the Euro-Mediterranean intergovernmental conference in Barcelona on 27 and 28 November 1995, the 27 delegations from countries within and

outside the EU discussed three important aspects of cooperation: a political partnership for common security, an economic and financial partnership for the creation of a free trade area in the run-up to the year 2010, and a partnership for social and human cooperation to draw the Mediterranean peoples closer together.

It was also recognized that the setting-up of a Euro-Mediterranean partnership would be helped by, among other things, encouraging contacts between the economic and social partners. The work programme appended to the Barcelona Declaration stated that "regular contacts among other European organs, in particular the Economic and Social Committee of the European Communities, and their Mediterranean counterparts, would contribute to a better understanding of the major issues relevant in the Euro-Mediterranean partnership".

At the Euro-Mediterranean summit of economic and social councils in Madrid on 12 and 13 December 1995, plans were laid for new Euro-Mediterranean collaboration founded on decentralized cooperation between civil societies. A decision was also taken to hold a Euro-Mediterranean summit of economic and social interest groups each year. The second summit was held in Paris on 21 and 22 November 1996 and the third summit in Casablanca on 27 and 28 November 1997.

As a permanent member of the working party responsible for coordinating these activities, the ESC needs to ensure the continuation of relations between the 27 Euro-Mediterranean partners and with the Community institutions.

As part of the preparations for the next Euro-Mediterranean summit of economic and social interest groups to be held in Lisbon on 24 and 25 September 1998, the Committee has been asked to draw up a report on the abovementioned subject, in collaboration with the economic and social partners of Turkey and the Greek economic and social committee.

### **Gist of the Information Report**

The first point to be made by the Information Report is that the social and economic partners lack familiarity with the content of the cooperation programmes whilst bilateral forms of cooperation predominate. There are also too few opportunities

for a diversified exchange of knowledge and information between socio-economic partners on other national systems of social dialogue and/or training.

It is essentially in the sphere of accompanying social measures that greater efforts are needed to develop human resources and promote understanding between different cultures and exchanges at the level of civil society. Various training programmes are currently underway and may be classified as follows:

- Programmes applicable in the fifteen Member States: this is the case with Leonardo da Vinci, a European vocational training programme covering the period 1995-1999,
- "A la carte" sectoral programmes: for example the industrial guilds and business partnerships in the Mediterranean,
- Inter-state programmes,
- Implementing programmes in central and eastern European countries.

The present era is an era of transition. The opening up of "national" economies, the political decision to broaden the European free trade area, and the growing strength of information technologies necessitate a change of perspective. Despite the progress made, all the indications are that we need to change both our approach and the scale of activities and move from current bilateral relations to a global approach. If we want to create an area of shared prosperity, then this must be matched by the necessary social cohesion and human resources must continue to be developed. Social measures on the other hand need to go hand in hand with technological and economic change.

In fact, achieving a temporary balance between the bilateral and global approaches, in accordance with the spirit of Barcelona, means showing a willingness, on both shores of the Mediterranean, for coexistence and internal and external solidarity.

With the aim of translating the global approach into tailor-made regional programmes, it is important to encourage the expansion of democracy and democratic processes in the

southern Mediterranean as a condition for economic support in the region.

As far as methodology is concerned, action needs to be taken in compliance with Community law. Any measures envisaged must be based on Article 127 of the EC Treaty, which relates to education and vocational training. Priority must also be given to a territorial approach in training policies, as it is at the grass roots that economic, social and cultural needs can be best appreciated, dynamic forces mobilized and appropriate solutions found through cooperation. Finally, it needs to be recognized that the symbiosis which has existed for the last two centuries between the industrial society and the nation state is being replaced today by a new, admittedly still undefined, symbiosis between the technological society and a new type of political, administrative and spatial structure.

As far as technical conditions are concerned, the transfer of skill and knowledge (a process which we could describe as education in responsibility and of which vocational training in the strict sense would be only one -albeit important -part ) should at the very least take into account the following technical considerations:

- Funding needs to be consistent with the political objective of a single market,
- Partners need to be adequately selected, drawing lessons from the activities being conducted with Latin America in the field of the social economy,
- There has to be an optimum identification of genuine needs,
- Priorities need to be identified and the necessary funding quantified.
- As far as structural conditions are concerned, a number of factors appear to be essential to the success of the initiative:
- Priority needs to be given to the role of women and to their gradual integration into the labour market until full equality is achieved.
- Special techniques need to be developed for the training of direct participants or previously selected regional/local socio-economic partners.
- Exchanges between partners need to be facilitated.

What is needed henceforth to formulate proposals on the basis of the following two guidelines/requirements:

- the need to find an adequate balance between a more global (regional) approach and an analysis of real country-specific situations,
- the need to overcome the traditional approach, focused on the transfer of models, by a new one which places the emphasis on assisting countries in developing their know-how and finding solutions appropriate to them.

As far as operational considerations are concerned, three aspects at least should be considered once programme x to be applied to context z has been selected:

- The orientation and assessment of projects (here the dialogue with interested parties would be decisive),
- The training function in the strict sense (considering training as a cohesive whole, but concentrating on specific vocational training),
- Finally, the coordinating function, through the establishment of a permanent observatory capable of monitoring trends in training in a decentralized way.

However, before putting the training programme decided on into effect, it would be appropriate to hold a local conference with all the players concerned. Finally, once a number of projects are up and running simultaneously, it would be useful to set up a network model of organization - partly to correct dysfunctions and permit adjustments, and partly to facilitate academic exchanges that would promote mobility.

*The Committee decided to forward this information report to the other EU institutions*

#### **47. INSTRUMENT FOR STRUCTURAL POLICIES FOR THE PRE-ACCESSION - ISPA**

**Opinion of the Economic and Social Committee**  
on the *Proposal for a Council Regulation (EC) establishing an Instrument for Structural Policies for the Pre-Accession - ISPA*  
(COM(98) 138 final - 98/0091 CSN)

(CES 1165/98 - 98/0091 CNS)

Rapporteur-General: Kenneth WALKER (United Kingdom - Employers)

### Gist of the Commission document

In the Agenda 2000 proposals of July 1997 (COM(97) 2000), the Commission announced that it would propose pre-accession structural aid for the applicant countries amounting to some ECU 1 billion per year, as part of the Re-Inforced Pre-Accession Strategy. An Instrument for the Structural Policies for the Pre-Accession (ISPA), based on Article 235 of the Treaty will provide assistance for:

- environmental measures to enable the applicant countries to meet the requirements of the Community *acquis*. Assistance under ISPA focus on areas of water quality, air quality and waste management;
- transport infrastructure measures which promote sustainable mobility and in particular projects of common interest based on the Council Decision (1692/96) establishing the TENs. This will include inter-connection and interoperability of national networks as well as with the Trans-European networks together with access to such networks.

In addition for both sectors, measures should also contribute to the objectives contained in the Accession Partnership.

The draft proposal provides for a project-based approach with a minimum size of ECU 5 million. Rates of assistance under ISPA can be up to 85% and will be modulated in order to encourage investment leverage especially from private co-financing. Arrangements for financial management and control reflect the provisions of Title IX of the Financial Regulations relating to external aid from the Community. Projects will be covered by the financial memorandum between the Commission and beneficiary country also containing the provision for management and evaluation systems. As far as budgetary commitments are concerned, the proposal follows the system of the Structural and Cohesion Funds of annual instalments. As this derogates from the Financial Regulation, it will require an Inter-institutional Budgetary Agreement.

ISPA will be subject to the conditionally rules laid down in the Regulation on Accession Partnership and coordinated with Phare and the pre-accession agricultural assistance through the regulation on the Coordination of Pre-Accession Assistance.

### Gist of the opinion

The ESC broadly welcomes the Commission proposals for the reinforcement of the pre-accession strategy by offering a coherent programme to the CEEC to prepare them for accession to the EU.

The Committee agrees with the general objective of bringing together the different forms of support provided by the EU within the single framework of the APs and familiarising the CEEC with Union policies and procedures through the opportunity of participating in Community programmes.

The Committee further approves the decision to concentrate this assistance on measures relating to the environment and transport infrastructure, in line with the approach adopted for the revised Cohesion Fund.

The ESC considers that consideration should be given to re-apportioning the amount of Euro 45 billion allocated to the applicant countries between the pre-accession and post-accession phases. It would point out that it is currently considered unlikely that any of the applicant countries will be admitted much before the year 2005 and the number of countries gaining entry in the first wave may be limited. The period during which post-accession funding will be available will, therefore, be restricted and only a few countries may be eligible to benefit from it.

In the light of this situation and in view of the desirability of bringing the applicant countries into line with the environmental *acquis* and up-rating their transport infrastructure as soon as possible, the ESC would recommend that a greater proportion of the Euro 45 billion should be allocated to the pre-accession phase; if this were increased to, say, Euro 2.5 billion per annum, or Euro 17.5 billion in total, this would go some way towards closing the present gap between the investment required in the pre-accession period and the funds available.

The ESC believes that, in order to attract the maximum level of private sector co-financing, it will be necessary to develop a genuine industrial partnership strategy. In particular, there should be an avoidance of excessive pre-programming in order not to stifle private sector initiative and to provide scope for an innovative private-sector approach.

In view of the likely shortfall in available funds, the ESC considers that ISPA assistance should be concentrated on those projects and areas which offer the prospect for making the greatest impact and not be dissipated over too wide a range of projects.

For this reason, the ESC approves the decision to limit ISPA assistance to projects with a minimum value of Euro 5 million.

The ESC therefore considers that the strategy of upgrading transport infrastructure within the CEECs must be reinforced by the construction of new links between the CEECs and the EU Member States. It notes that access to the TENs forms part of the ISPA programme but that the cost of providing this has not been included in the estimates of funding requirements. Given the disappointing lack of progress with the existing TENs projects, this raises the question of how such links are to be financed.

#### **48. WTO NEGOTIATIONS ON FINANCIAL SERVICES**

**Opinion of the Economic and Social Committee on the Proposal for a Council Decision concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the results of the World Trade Organization negotiations on financial services (COM(98) 440 final - 98/0239 CNS)**

(CES 1166/98 - 98/0239 CNS)

Rapporteur-General: Robert PELLETIER (France - Employers)

##### **Gist of the proposal for a Council decision**

Following the completion of the Uruguay Round of multilateral negotiations, the final act of which was officially signed in Marrakesh on 15 April 1994 at the Ministerial Conference of GATT (General Agreement on Tariffs and Trade), the General Agreement on Trade in Services (GATS) was also adopted and the framework and timetable for negotiations in certain service sectors, including financial services, were laid down.

Negotiations began on 1 January 1995 and were completed in July 1995, resulting in partial failure. An interim agreement was adopted after the

abstention of the United States and plans were made to open a new negotiating period during the second half of 1997 in attempts to reach a definitive agreement.

##### **Gist of the draft opinion**

The Committee recognizes the importance of the negotiations opened in the second half of 1997 and leading to a new agreement on 12 December 1997. This fifth protocol to the General Agreement on Trade in Services was signed by 102 countries of which 70 (the EU counting as one) submitted a new offer whilst 32 countries maintained their offers of 1995.

The Committee underlines the progress made as a result of the agreement. It encompasses 95% of the world market in financial services and its principal merit lies in having put an end to the transitory and rather unsatisfactory situation existing since July 1995.

However imperfect the offers submitted by certain WTO countries, the agreement concluded in December 1997 is based on respect for the principles of non-discrimination, national treatment and the most-favoured-nation clause. The agreement makes the whole financial services sector (banks, insurance, investment services) subject to the multinational disciplines and rules of the GATS.

The opening-up of world markets is crucial to the strategy of banks and all other players in financial markets, both in terms of honing the quality of services to customers and in terms of developing their own operations in new territories. The establishment of uniform, comprehensible and permanent rules will stimulate the activities of lenders and make it possible for banks to increase their contribution to the financing of the developing world in a climate of confidence and greater risk-control.

The acceptance and application of the fundamental GATT principle (the most-favoured-nation clause) obliges states to eliminate the privileges they naturally tend to confer on their own nationals and the agreements signed in Geneva last December show that considerable progress has been made in this respect.

As with banking, Europe's insurance sector considers that the agreement resulting from WTO



negotiations constitutes a great success for the EU and for European insurers.

The agreement also marks a major quantitative and qualitative improvement in the offers emanating from the emerging countries of Asia, Latin America, Central and Eastern Europe, Africa and the Middle East.

The Committee considers that the agreement signed in the World Trade Organization in December 1997 represents a major step forward in the direction of liberalizing financial markets and supports the Commission's recommendations that the Council should approve the text of the fifth protocol on behalf of the European Community, insofar as matters lie within the latter's competence.

**Section for Economic, Financial and Monetary Questions**

Arie Van de Graaf, Head of Division - ☎ (32-2) 546 9227

**49. EMPLOYMENT AND THE EURO** (*Own-initiative*)

**Opinion of the Economic and Social Committee**  
on *Employment and the euro*

(CES1167/98)

Rapporteur: Michael GEUENICH (Germany - Workers)

**Gist of the opinion**

In the longer term, the impact of European monetary union on growth and employment depends on the direction and coordinated practice of European wage, monetary and financial policy. It will thereby become clear whether the benefits of European monetary union in terms of lower transaction costs and nominal interest rates, enhanced competition and improved price transparency for consumers will not be offset by added risks, possibly because the extended currency area is less able to adapt in the wake of disturbances.

With the launch of European monetary union, wage policy takes on a crucial role in the individual EU Member States. The sharing of sovereignty in respect of monetary policy and the abolition of national currencies means that, in future, while the extent to which wage policy is geared towards stability may vary, differences between individual countries in inflation rates of tradable goods will become well-nigh impossible. NCBs will no longer have the power to let the currency depreciate in order to compensate for excessive wage and price developments and

governments will be constrained in their fiscal policies by the EMU convergence criteria. As a result of this wage demands above the increase in productivity and targeted inflation may well generate an upward trend in unemployment.

In order not to jeopardize regional competitiveness, nominal pay increases in a market with full monetary integration are restricted by expected domestic advances in productivity and increases in unit labour costs in other countries. Under European monetary policy, whenever stability is undermined by wage policy, the downside is felt immediately in the form of rising unemployment and loss of regional competitiveness. This contrasts with the situation under national monetary policy, where there is a considerable delay in impact, as higher inflation is tolerated first before a restrictive course of action is pursued. The pressure for rapid adjustment is thus increased.

In the long term, the economic and political future of the European Union with a single market and a single currency will only run smoothly if current differences in living standards not only do not widen further, but even narrow down over time. This is true for both employment figures and income levels in the individual countries. If there is no long-term convergence on both these fronts - or if there is further divergence - demands for transfers, or migratory movements from the countries left behind, appear unavoidable.

Wage policy structure is not the only competitive factor in play here. Other measures directly related the labour market are also involved. These range from the upskilling of the labour force to

institutional labour-market arrangements such as protection against dismissal, maternity protection, paid leave for new parents, help for seriously disabled persons, sick pay, etc. There is no doubt that all measures to enhance human resources help promote speedy structural change in any economy. This is reflected in higher productivity and higher wages. In a single labour market the competitive position of a person or a group of persons with similar skills are primarily related to: a) whether they have adequate skills in relation to market demand, b) if the wages and salaries etc. they request are competitive and c) if they are prepared to move.

In Europe, the diverse nature of such arrangements would appear to pose a considerable risk for monetary union, since countries with well-developed regulatory or social security systems would find themselves at a constant competitive disadvantage. However, at least the launch of European monetary union poses no problem in this regard, since such differences were already taken into account in conversion rates with zero-impact on competition. Even later on, more stringent safeguards, leading inevitably to lower wage increases in real terms, will not damage economic development if wages continue to be set in line with productivity.

European economic policy has long focused on monetary convergence. Given the impossibility of achieving such convergence without the harmonization of European monetary policy, this has for some time now meant a far-reaching reassignment of economic policy responsibilities in countries seeking to participate in the third stage. The adjustment strategy made it possible to anticipate single currency conditions by giving uniform direction to monetary policy across Europe.

What strategy will the European Central Bank (ECB) now pursue? The Maastricht Treaty stipulates that the ECB's "primary" objective is the maintenance of price stability, thereby rejecting - at least in the Maastricht Treaty - the position of the US Federal Reserve, where the targets of price stability and growth enjoy equal status. Nonetheless, it would be desirable for the ECB - in line with Article 105 of the Maastricht Treaty - to gear its monetary policy not only to price stability, but also to the objectives of economic growth and lower unemployment.

In future, financial policy is unlikely to be the policy area to assume the full burden of adjustment in the wake of disturbances which affect different individual countries in different ways. This task will fall, certainly in part, to wage policy. It is therefore all the more important to remodel tax and duty systems to promote employment, including above all a reduction in non-wage labour costs, financed by a rise in indirect taxes, especially VAT and energy taxes.

As well as an inflation target, wage policy needs a further, realistic anchor to fulfil its remit. This second anchor is the only way to give wage policy the direction it needs to prevent conflict with monetary policy and at the same time promote growth, employment and real convergence, irrespective of the level at which such policy is set and the degree of centralization involved. The best possible scenario would be for each country's wage levels to be set in line with that country's potential sectoral productivity.

Observations concerning a wage policy for the whole of Europe contain an essential message for economic development. Economic progress is indivisibly linked with competition, but not competition of all kinds. Higher growth across Europe and catching-up by poorer countries is only possible if competition is also entrepreneurial in scope. In the private sector, this means focusing on giving companies a competitive edge through the application of new technologies, more efficient links between factors of production or the development of new products. In the public sector, a region's competitiveness may depend on improved infrastructure, enhanced human resources and a more efficient education and taxation system. This kind of competition produces growth through economic creativity.

With a coordinated wage, monetary and financial policy, EMU may be expected to boost growth and employment, largely as a result of lower transaction costs, lower nominal interest rates and stiffer competition. Sectoral wage policy in the various Member States should in each case be geared towards average productivity growth and the ECB's target inflation rate. Higher wage settlements which diverge from this are to be rejected, as is any competitive race between the individual Member States to cut wages. This would also pave the way for inflation-free economic growth, thereby allowing the ECB to use its monetary policy to help bring down

unemployment in Europe. Financial policy would then also be able to curb public deficits via automatic rises in government revenue, without triggering restrictive effects.

## **50. ELECTRONIC COMMERCE AND INDIRECT TAXATION**

**Opinion of the Economic and Social Committee on the Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee - "Electronic commerce and indirect taxation"**  
(COM(98) 374 final)

(CES 1168/98)

Rapporteur-General: Vasco CAL (Portugal - Workers)

### **Gist of the Commission communication**

The rapid growth of electronic commerce in all forms is anticipated. The Internet is opening up new opportunities for business and European consumers. The Commission, in its Communication "A European Initiative in Electronic Commerce", noted that *"by its very nature, electronic commerce is transnational"*, it stimulates European growth and competitiveness and represents *"a potentially vital factor for cohesion and integration in Europe"*. At the same time, electronic commerce is presenting new challenges, particularly in the field of indirect taxation. Now that geographical restrictions have disappeared, it will become increasingly difficult for tax authorities to ascertain the location and identity of the parties of transactions.

VAT is the most appropriate tax for electronic commerce. It is applicable, regardless of the means of communication or commercial mode used, to goods and services supplied within the EU as well as to imports of goods and purchases by businesses of most services outside the EU. In contrast, direct purchase of services by EU private individuals, being rare, is for the most part not currently subject to VAT. The latter type of transaction potentially poses problems for the future with the development of the Internet. Hence steps must be taken now to find solutions while bearing in mind the essentially decentralized and international nature of the emerging electronic markets. To allow electronic commerce to develop

fully, Community VAT will therefore have to provide legal certainty (clear, consistent rules reducing the risks of unforeseen tax liabilities and disputes), simplicity (introduction of the common VAT system based on taxation at origin) and neutrality (consequences of taxation should be the same for goods and services whether they are purchased from within or outside the EU).

An international debate on this matter is in progress within OECD and WTO, to which the Commission is actively contributing, in particular in the area of taxation. This will be one of the key issues to be discussed at the OECD ministerial conference "A borderless world: realizing the potential of electronic commerce", to be held in Ottawa on 6-8 October 1998.

The purpose of this Commission communication is to prepare the contribution by the EU and the Member States on indirect taxation issues for the Ottawa Conference. The idea is to define guidelines for taxation on which to base any further debate of these issues with the interested parties: governments, industry and business, consumers. The current Community VAT system is one of the main obstacles to the development of electronic commerce in the Internal Market. For that reason, the Commission continues to be committed to the introduction of a common VAT system based on taxation at origin and providing for a single country of registration where an operator would both account for and deduct tax in respect of all his EU VAT transactions. The Commission proposes six guidelines:

#### **Guideline 1: No new taxes.**

Existing taxes, and VAT in particular, should be adjusted.

**Guideline 2:** All electronic transmissions and all intangible products (musical works, videos, software, etc.) delivered by such means are deemed, for the purposes of EU VAT, to be services. All transactions taking place within the EU, using the medium of electronic commerce and resulting in consumption within the EU, are subject to EU VAT. This is in keeping with the position taken by the EU and the Member States at WTO.

**Guideline 3:** Ensuring neutrality. Services ordered by EU private consumers from suppliers outside the EU for delivery on-line are the

activities that present the greatest challenge in terms of collection of VAT. If the predicted increase in such services supplied to end consumers, who at present pay no VAT, reaches a level which is economically significant, it may be necessary, in conjunction with the business community, to design mechanisms to tax such supplies. The absence of such taxation would lead to unfair competition for EU operators who already have to tax their supplies of services for private consumption within the EU. Similarly, because many on-line services are currently subject to tax under EU rules at the place of origin, VAT is payable by EU suppliers on all the services they supply to non-EU countries. Conversely, supplies from non-EU countries to the EU are not taxed - clearly a competitive disadvantage for EU businesses. Community legislation should ensure that all on-line services provided by non-EU sources to EU private consumers are subject to VAT and that such services exported from the EU to other countries are VAT-exempt. That would mean that, in contrast to what happens today, services delivered by traditional means, such as telephone or fax, from non-EU sources to private individuals in the EU would also be subject to VAT.

**Guideline 4:** Making compliance easy. The credibility of any system of taxation rests on its practicality, and the feasibility of its implementation. Tax systems should be fully compatible with commercial practices, which are likely to change with the advent of e-commerce.

**Guideline 5:** Ensuring control and enforcement of taxation

**Guideline 6:** Facilitating tax administration. It is essential to ensure that electronic VAT declarations and accounting are possible.

## Conclusion

The above guidelines are fully in tune with the aims and objective of the EU VAT system. They also allow for the possibility of a neutral interface with the tax systems of non-EU countries. It will be for these countries to decide whether they wish to apply indirect taxes of their own to these incoming supplies. This is of particular importance for the Ottawa discussions on the establishment of a global tax framework. The Commission therefore invites the Council to consider the above broad guidelines for EU

indirect taxation of electronic commerce. At this stage, when e-commerce technology is still developing and patterns of fraud are still not clearly defined, it is neither necessary nor possible to change the existing tax system. However, broad guidelines are needed to steer the direction of the on-going debate and to guide, in consultation with the business sector, future developments in the tax field in this new and rapidly expanding global marketplace. The Commission is convinced that taxation consistent with these guidelines will contribute to the success of e-commerce and the EU economy by providing EU businesses with a level playing field for competition.

## Gist of the opinion

The Committee fully supports the underlying positions of the Commission and Council, according to which electronic commerce should be organized in such a way as to ensure:

- **legal certainty**, meaning a framework of clear and consistent rules,
- **simplicity**, to reduce avoidable costs for economic operators, and
- **neutrality**, i.e. setting up a tax system which is independent of the type of commerce practised and is the same for goods acquired within or outside the EU.

The Committee welcomes the view of the Commission and Council that existing taxes should apply to electronic commerce, which should generate no specific new taxes.

This being so, it must be recognized that on the one hand, the nature of electronic transactions in itself makes a tax system hard to set up, while on the other, the failure to tax products or services transferred by electronic means (which may also be acquired via conventional commerce) distorts competition between different sellers.

In order to avoid unfair competition, and while the future development of the technology and its impact on society and the way companies operate remains unclear, the Committee suggests that the Community should provisionally waive VAT on all products or services which may be delivered by electronic means (essentially, software), to apply to both traditional and electronic commerce. The

Committee strongly urges, however, that in the international negotiations on this subject the Community highlight the importance of VAT in balancing its Member States' budgets.

The Committee believes that businesses and all other socio-occupational interest groups,

particularly consumers and workers, should be

brought into the process of consultation under way with a view to introducing tax measures connected with e-commerce, and that the process should take account of the heavier tax burden on labour, which is making tax systems increasingly unfair.

## SUBCOMMITTEE

### 51. FOLLOW-UP: SOCIAL POLICY AND ECONOMIC PERFORMANCE (*Additional own-initiative*)

**Opinion of the Economic and Social Committee on the "Follow-up: Social Policy and Economic Performance"**

(CES 1169/98)

Rapporteurs:

José Isaías RODRÍGUEZ GARCÍA CARO (Spain - Employers)

Ursula KONITZER (Germany - Workers)

John SIMPSON (United Kingdom - Various Interests)

#### Reason for the opinion

The own-initiative opinion follows on from the opinion on social policy and economic performance (CES 604/97), which states in point 3.5: "The Economic and Social Committee intends to set up an internal study group made up of various sections ... . This study group ... should in particular consider the following questions: globalisation and effects on low-productivity work; funding of social policy; competitiveness and social policy and balance between flexibility and social protection."

#### Summary of the own-initiative opinion

##### • *Setting the context*

This opinion reflects the motivation of the Economic and Social Committee to contribute to the reduction of unemployment throughout the European Union. The impact of the measures considered would, naturally and logically, have a

wider impact than simply relating to the problem of reducing unemployment.

The ESC proposes that the Commission should formally adopt, as part of the terms of reference for the Employment Guidelines, an obligation to assess and comment on the degree to which social and economic policies have been integrated and improved to remove some of the inappropriate internal effects of the existing position.

##### • *Competitiveness, promotion of entrepreneurship and investment*

#### Competitiveness

In a world facing the challenges of growing globalisation, where constant change is the main driving force, competitiveness must be understood as society's capacity to continually adapt to, be a step ahead of, and influence the prevailing environment.

Governments will need to implement a series of structural reforms in order to boost economic competitiveness, and the social partners, exercising their independence and using the various mechanisms of Social Dialogue, will need to contribute to the adjustment of legislation in the appropriate areas to the specific features of sectors and businesses.

The best way for Europe to safeguard its competitiveness is not to dismantle the welfare state or prune minimum social standards, but rather to reform it, while preserving its basic values (economic and social cohesion, justice, freedom, tolerance, equal opportunities, and dialogue).

## Entrepreneurship

Encouraging entrepreneurship, understood as the dynamic process favouring the pursuit of business activity, and which thus makes it possible for businesses to discover and capitalise on business opportunities, is a crucial requirement in European society.

Businesses in Europe today operate in an environment enhanced by the creation of the single market and the imminent introduction of the single currency.

There is no doubt that the relevant authorities need to introduce measures to facilitate the establishment and transfer of businesses.

Relations between the banking sector and SMEs can and should be based on understanding, for the benefit of both sides.

Another very important aspect of fostering entrepreneurial spirit is the need to improve the quality of legislation, by simplifying existing legislative, regulatory and administrative provisions and thus ease the administrative burden facing European businesses, especially SMEs.

## Investment

These challenges call for serious action, e.g. investment in R&D, training, new equipment and facilities, and new products. Applications of use to businesses must flow logically from research activity. An appropriate strategy for penetrating new markets is also required.

EU risk capital markets remain very limited and fragmented, as there are still many regulatory and fiscal barriers restricting their development and, as a result, job creation.

In this respect, the ESC wishes to restate the importance of boosting investment within the EU and of consulting the ESC on future work in this area.

- ***Employability, job creation and the future of low-productivity labour***

Experience over the past few years has shown that there is nothing automatic about job creation; on the contrary, everyone must join forces to meet the

tremendous challenge to be faced at the threshold of the new millennium.

## Employability

The Economic and Social Committee sees education as an integral part of normal life and of employment relationships, and thus a task for society as a whole, in which all should play their part.

Broadly speaking, now more than ever, both social policy and labour market policy should be expanded towards a policy based on action, motivation and *the imparting of skills*. In doing so we must not, on the one hand, lose sight of the additional priority of maintaining the employability of those in work. Indeed, one way to combat unemployment is to ensure that it does not arise in the first place. In this sense, it is essential to pursue a programme of *preventive* labour market and social policy. On the other, however, it is important to work for the *active integration* of the unemployed by means of appropriate labour market and social measures, since the psychological and social repercussions of joblessness are already acute. In this regard, mention should also be made of the importance of charitable organisations as an independent component of the welfare state in Europe.

It is important to integrate any schemes into a coherent, macroeconomic policy mix in order to take account of their impact on the economy as a whole.

Regional, social and occupational mobility of workers is a particular priority here. Increased worker mobility is a sign of flexibility, which enhances the entire economic process. That said, mobility cannot be an end in itself. Consideration should be given to what can be done to avert the risk of people becoming rootless.

## Job creation

In a number of member states a discussion is under way on the subsidising of low wages, negative income tax and basic pensions.

In some member states, this is being discussed in terms of a "*value added*" levy.

The Economic and Social Committee calls on the Commission to examine this whole area in a Green

Paper and expresses its willingness to become actively involved in the consultation process.

### **Future of low-productivity labour**

The globalisation of the economy puts particular pressure on jobs and wages in low-productivity sectors.

Asymmetric globalisation, alongside continuing high unemployment, could be one of the reasons for a shift in negotiating power on the labour market to business. The effect can be seen in sectors at the lower end of the wage scale where an increasingly narrow gap separates net income from social welfare (although the latter has remained unchanged). Incentive becomes problematic as a result.

As far as the work of government is concerned, the problem has to be faced of competition for internationally mobile real investments from transnational companies. Economic globalisation and the increasingly integrated financial markets tend to lead to the taxation policies of individual countries being increasingly geared towards guaranteeing transnational companies short-term financial return, so as to attract their investments. The Economic and Social Committee suspects that this has contributed to excessive taxes and charges being levied on employed labour, which is relatively immobile.

The Economic and Social Committee notes that simple activities with low productivity are often under-represented on the market in Europe.

The ESC suspects that there may be a latent potential for employment here. It would like to see the Commission draw up proposals on how this potential could be activated so that, possibly, new jobs might be created. Care would have to be taken here to see that the resulting new employment relationships complied with normal practice and were free from discrimination.

The wider distribution of productive capacity could lead to a smaller proportion of the population looking to paid work as their only source of income.

- *Adaptability and equal opportunities in the european framework of society*

### **Adaptability**

If enterprises are to be viable, and remain viable, their ability to adapt can be critically important. A key requirement is that enterprises should be able to anticipate changes emerging both from the market place in which they compete and from the advances in methods and technology which determine the ways in which resources, including human resources, are used. This becomes a responsibility which impacts on management and employees.

For employees, the need for adaptability is often linked to uncertainty and a perception of insecurity. To gain a constructive response to the need for change, ensuring that employees have adequate information and opportunity for consultation and co-operation is essential.

The social partners will have a responsibility to modernise the organisation of working arrangements but a prerequisite for this is that enterprises should be motivated to adapt to the changed conditions.

To some extent the needs of employment providers and job seekers are poorly matched. For example, some workers are offered only part-time or temporary contracts, when they would prefer full-time work. Others would like to scale down to part-time but are unable to do so. Many people are looking for employment, while others reluctantly (or willingly) work overtime.

### **Equal opportunities**

One of the usual features of social policies is a positive concern to strengthen measures which are directed to enhancing equal opportunities for groups who, for various reasons, may be unreasonably disadvantaged.

Policies to promote equal opportunities should, inter alia, take account of:

- unemployment that is too high;
- those unemployed through lack of skills, or whose skills have been displaced;
- those unemployed for a longer period;
- young people who remain unemployed;
- unemployment of women, where women experience higher unemployment than men (or vice versa in some cases);

- spatial differences in the experience of unemployment (taking account of variations in the definition of unemployment in different member states);
- higher unemployment amongst ethnic or religious minorities;
- people with handicaps which limit their employment opportunities;
- employment earnings which are officially considered to be too low;
- education and training needs and opportunities;
- lower participation rates, in the labour force, of women than men;
- promoting equality of opportunity of women in the whole occupational structure;
- the interaction of taxation and earnings which generates a disincentive to seek employment;

- benefits which gives an incentive to the expansion of the "black" (or "shadow") economy.

#### • **Conclusions**

The challenge of increasing the number of employment opportunities is a responsibility of all the institutions, agencies and social organisations of the EU and the member states. Not only will the ESC use its opportunities to enhance the prospects for higher employment but it asks for the support of all the social organisations throughout the EU which are represented on the ESC in seeking to implement and strengthen the ideas outlined in this opinion. Members of the ESC should ensure that the organisations which they represent face up to this challenge.

## **II. FUTURE WORK**

### **FOR INFORMATION**

- A minimum of effective taxation of savings income in the form of interest payments  
COM(1998) 295 final - 98/0193 CNS (SECI) (EMU/COHESION-OCT/DEC)
- Taxes on cigarettes and manufactured tobacco and taxes other than turnover taxes which affect the consumption of manufactured tobacco (SECI) (EMU/COHESION-OCT/DEC)  
COM(1998) 320 final - 98/0189 CNS
- Recovery of claims resulting from operations forming part of the system of financing the EAGGF (SECI) (EMU/COHESION-DEC)  
COM(1998) 364 final - 98/0206 COD
- Rules governing the right to deduct VAT (SECI) (EMU/COHESION-DEC)  
COM(1998) 377 final - 98/0209 COD
- Community customs code (SEC2) (SM/PROD-DEC)  
COM(1998) 226 final - 98/0134 COD
- Electronic signatures (SEC2) (SM/PROD-DEC)  
COM(1998) 297 final - 98/0191 COD
- Undertakings for collective investment in transferable securities (UCITS) - regulation of management companies (SEC2)(SM/PROD-to be decided)  
COM(1998) 451 final - 98/0242 COD
- Free movement in maritime transport services (maritime cabotage) (SEC3) (TRA/ENERG-DEC)  
COM(1998) 251 final - 98/0158 SYN - 98/0159 SYN



- Establishment of common rules for combined transport of goods (SEC3) (TRA/ENERG-to be decided)  
COM(1998) 414 final - 98/0226 SYN - 98/0227 SYN
- Importance of good local and regional passenger transport (Communication) (SEC3) (TRA/ENERG-to be decided)  
COM(1998) 431 final
- Common transport infrastructure charging framework in the EU (White Paper) (SEC3) (TRA/ENERG-to be decided)  
COM(1998) 466 final
- Scheme to monitor the average specific emissions of carbon dioxide from new passenger cars  
COM(1998) 348 final - 98/0202 SYN (SEC5) (AGR/ENV-DEC)
- Common organization of the market in wine (SEC5) (AGR/ENV-to be decided)  
COM(1998) 370 final - 98/0126 (CNS)
- Port reception facilities for ship-generated waste and cargo residues (SEC5) (AGR/ENV-to be decided)  
COM(1998) 452 final - 98/0249 SYN

#### *IN ANTICIPATION*

- Coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)  
COM(1998) 449 final - 98/0243 COD (SEC2) (SM/PROD-to be decided)
- Access to activity/electronic money institutions (SEC2) (SM/PROD-JAN)  
COM(1998) 461 final
- Distance contracts between suppliers and consumers for financial services  
COM(1998) 468 final (SEC2) (SM/PROD-JAN)
- Emission of pollutants from agricultural and forestry tractors (SEC2) (SM-PROD-to be decided)  
COM(1998) 472 final - 98/0247 COD
- Tax-free allowances for travellers: extending the temporary derogation applicable to Germany and Austria (SEC2) (SM/PROD-to be decided)  
COM(1998) 473 final - 98/0250 CNS - 98/0251 CNS
- Information on fuel consumption of new private cars (SEC2) (SM/PROD-DEC)  
COM(1998) 489 final - 98/0272 SYN
- Development of the Community's railways (SEC3) (TRA/ENERG-to be decided)  
COM(1998) 480 final - 98/0265 COD - 98/0266 SYN - 98/0267 SYN
- Orphan medicinal products (SEC4) (EMPLOY/SOC-JAN)  
COM(1998) 450 final - 98/0240 COD
- Marketing of compound feedingstuffs and the circulation of feed materials (SEC5) (AGR/ENV-to be decided)  
COM(1998) 435 final - 98/0238 COD

- Additives in feedingstuffs - official inspections (SEC5) (AGR/ENV-to be decided)  
COM(1998) 438 final - 98/0237 CNS
- Compensation to certain producers of milk and milk products (SEC5)(AGR/ENV-to be decided)  
COM(1998) 464 final - 98/0244 CNS
- Air pollutants from large combustion plants (SEC5) (AGR/ENV-JAN)  
COM(1998) 415 final - 98/0225 CNS
- TEMPUS III (2000-2006): third phase - non-associated Phare countries (SEC6) (EXTREL-OCT)  
COM(1998) 454 final - 98/0246 CNS

### **III. PRESENCE AND INFLUENCE OF THE ECONOMIC AND SOCIAL COMMITTEE**

#### **Activities of the ESC president**

On 9-10 July Mr Tom Jenkins, the ESC president, attended a European tourism forum in Mayrhofen, organized jointly by the Austrian presidency and the European Commission.

At the invitation of its government, Mr Jenkins paid an official visit to Cyprus on 20 and 21 July. He held discussions with Mr Ioannis Kasoulides, Minister of Foreign Affairs, and Mr Andreas Moushouttas, Minister for Labour and Social Affairs.

The Committee delegation also had talks with Mr Panicos Poulos, permanent secretary of the planning bureau, Mrs Gabriela von Malsen-Tilboch, Ambassador of Germany (representing the Austrian EU presidency), Mr George Vassiliou, head of the negotiating team for Cyprus' accession to the EU, and the local economic and social partners. These contacts point to the key role played by the ESC in the enlargement process.

Mr Jenkins summed up: *"The talks showed the willingness of both sides to establish structured contacts, and we agreed on some practical steps which we hope will pave the way to EU membership for the whole of the island."*

#### **Activities of ESC sections and members**

Mr Pádraig Flynn, Commissioner responsible for employment, social affairs and public health, addressed a meeting of the Committee's Section for Protection of the Environment, Public Health and Consumer Affairs on 7 July. He informed section members of developments in EU public health policy.

On 8-10 July three members of the study group on the Transatlantic Economic Partnership - Mrs Davison (rapporteur), Mr Pelletier and Mr van Dijk - visited the economic and social partners in the United States to find out their views on EU-US trade and social and environmental cooperation.

On 10 July Mr Colombo attended a workshop in London organized by the European Agency for the Evaluation of Medicinal Products. The subject discussed was a medicines information network for Europe.

Mr Moreland attended a conference on Creativity and intellectual property rights: evolving scenarios and perspectives, held in Vienna on 12-14 July. The event was organized by the European Commission in cooperation with the Austrian EU presidency.

## **Other news and activities**

### ***- Major reforms in the organization of the Economic and Social Committee***

As mentioned in ESC Bulletin No. 6/98, on 2 July the Committee - acting on a proposal from its rules of procedure panel, chaired by Mrs Giacomina Cassina (Workers - Italy), and its rapporteur-general, Mr Manuel Cavaleiro Brandão, (Employers - Portugal) - adopted several important amendments to its rules of procedure. The aim of these changes is not only to respond to the new responsibilities conferred upon the Committee by the Amsterdam Treaty, but also to streamline its working methods and make it more effective. They concern:

#### The ESC bureau

The number of bureau members has been reduced from 36 to 24, including the 6 section presidents and 3 group presidents who will henceforth automatically sit on the bureau.

#### The sections

The number of sections has been reduced from 9 to 6, viz:

- Section for **Economic and Monetary Union and Economic and Social Cohesion**
- Section for **The Single Market, Production and Consumption**
- Section for **Transport, Energy, Infrastructure and the Information Society**
- Section for **Employment, Social Affairs and Citizenship**
- Section for **Agriculture, Rural Development and the Environment**
- Section for **External Relations**.

#### The creation of observatories

Building on its experience with the single market observatory which was set up in 1994 and has proved highly successful, the ESC wanted to give this type of structure a legal basis in its rules of procedure. Consequently the ESC can now set up observatories when the nature, extent and specific character of the subject to be dealt with calls for particular flexibility in terms of the working methods, procedures and instruments to be used.

These amendments will come into force on 21 September at the same time as the four-yearly renewal of the ESC for the period 1998-2002.

Finally, it should be noted that these changes were keenly debated and were all adopted by an **absolute majority**.

### ***- Conference on the reinforced pre-accession strategy***

On 13-14 July the Committee hosted a conference on the reinforced pre-accession strategy, in cooperation with the Commission's TAIEX Office. Six delegates representing different economic and social organizations in each candidate country were invited to take part in the conference. Representatives of the Commission, the European Parliament and different institutions and organizations in the EU also attended.

The purpose of the conference was to give support to the applicant countries in their preparations for EU membership. The involvement of economic and social interest groups will be central to the success of this initiative

The conference concentrated on aspects such as priorities and problems in the Accession Partnership Programmes, adapting to the single market, and the role of economic and social interest groups in the accession preparations.

***- The presidency of the Economic and Social Council of Romania visits the ESC***

Mrs Norica Nicolai, president of the Romanian ESC, attended the Committee's plenary session on 9-10 September. She was accompanied by the two vice-presidents, Mr Hossu and Mr Milut. They had a discussion with President Jenkins on relations between the European ESC and the recently constituted Romanian ESC, particularly in the light of the future creation of a EU-Romania Joint Consultative Committee.

***- EU-Bulgaria Joint Consultative Committee***

On 28 July the EU-Bulgaria Association Council decided to set up a Joint Consultative Committee (JCC) made up of six representatives of the European ESC and six representatives of Bulgaria's economic and social interest groups. The creation of a JCC is intended to help such groups in Bulgaria find their place in a maturing democratic society.

**IV. INFORMATION VISITS**

The following groups visited the ESC during the period in question:

Euro-Tarn (France)  
Ichthus Hogeschool Rotterdam (Netherlands)  
Informationsbüro des Landes Mecklenburg-Vorpommern (Germany)  
CCI Mulhouse (France)  
Delegation of Estonian translators  
Asociación Gallega de Estudios Europeos (Spain)  
Universität Mainz (Germany)  
Delegation of Bulgarian interpreters  
Delegation of senior administrators from Macao  
Bisowe des DBB (Germany)  
Briefing for new EU officials (mixed)  
Delegation from the CESR Midi-Pyrénées (France)  
CES Nantes-Atlantique (France)  
Mariengymnasium Jever (Germany)  
Civil Service College (UK)  
Delegation of Slovenian linguists  
Centro internacional de Valbonne (Mexico)  
Chambre des métiers luxembourgeoise (Luxembourg)  
Associação Portuguesa de Cultura e Desenvolvimento (Portugal)  
Katholisch Soziales Institut (Germany)

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